

282060

JPRS-SEA-86-126

28 JULY 1986

Southeast Asia Report

DTIC QUALITY INSPECTED 4

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

19980430 173

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

7
110
A06

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

28 JULY 1986

SOUTHEAST ASIA REPORT

CONTENTS

AUSTRALIA

Expanding USSR Fishing Agreements in Pacific Prompt Concern (Editorial; THE AUSTRALIAN, 21-22 Jun 86)	1
Former RAN Officer on Risks of U.S. Ship Visits (Edmund Doogue; THE AGE, 26 Jun 86)	3
Ambassador Urges U.S. To Respect Canberra's Interests (Samuel Washington; THE AUSTRALIAN, 30 Jun 86)	4
Hayden Calls for Tribunal To Judge Pol Pot (Cameron Forbes; THE AUSTRALIAN, 27 Jun 86)	5
Party Factionalism, Unions Threaten PM's Economic Strategy (Paul Austin; THE AUSTRALIAN, 23 Jun 86)	7
Hawke Adviser Interviewed on ALP Factionalism (Graham Richardson Interview; THE WEEKEND AUSTRALIAN, 28-29 Jun 86)	9
Role, Impact of Socialist Forum Analyzed (Paul Austin; THE AUSTRALIAN, 23 Jun 86)	13
Educator Hits 'New Right' Threat Against Unions (Alex Carey; THE AUSTRALIAN, 27 Jun 86)	16
Military Objections to OTH Radar Reported (Peter Young; THE AUSTRALIAN, 23 Jun 86)	18
Defense Establishment Criticizes Dibb Report (Peter Young; THE AUSTRALIAN, 25 Jun 86)	20
Finance Department Figures Show \$800 Million Deficit Growth (Robert Garran; THE AGE, 21 Jun 86)	22

Federal Treasurer Outlines Long-Term Economic Strategy (Paul Keating; THE AUSTRALIAN, 21-22 Jun 86)	24
Editorial Urges Industry To Resist Protectionism (THE AGE, 20 Jun 86)	28
WA Premier's Economic Measures Analyzed, Lauded (Editorial; THE AUSTRALIAN, 25 Jun 86)	29
Coal Cancellation Cuts Exports to Israel by 66 Percent (Douglas Davis; THE AUSTRALIAN, 25 Jun 86)	31

PHILIPPINES

Ople Writes About Good Government Commission (Blas F. Ople; THE MANILA EVENING POST, 1 Jul 86)	32
Columnist on Critical Period for Aquino Government (Amando Doronila; THE MANILA CHRONICLE, 1 Jul 86)	35
Solicitor General Produces Evidence of Marcos Graft (Gerry N. Zaragoza; BUSINESS DAY, 2 Jul 86)	37
Commission Denies Request on Marcos Return (Gerry N. Zaragoza; BUSINESS DAY, 4 Jul 86)	39
Local Government Officials' Terms Expire (Rey G. Panaligan; MANILA BULLETIN, 1 Jul 86)	41
Columnist on Military's Power Over Civilians (Amando Doronila; THE MANILA CHRONICLE, 2 Jul 86)	44
Graft, Smuggling Reported in Customs Bureau (BUSINESS DAY, 2 Jul 86)	46
Government Agrees To Lift All Import Restrictions (Daniel C. Yu; BUSINESS DAY, 27 Jun 86)	48
Government To Retaliate Against Import Controls (THE MANILA TIMES, 27 Jun 86)	51
Business Sees No Change in Economic Policy (Daniel C. Yu; BUSINESS DAY, 1 Jul 86)	53
Coconut Planters Bank Elects New Board (Ramon R. Isberto; BUSINESS DAY, 1 Jul 86)	57
Lack of Coconut Export Taxes Could Reduce Revenue (Carol E. Espiritu; BUSINESS DAY, 2 Jul 86)	59
Coconut Authority Seeks Cocofed Sequestration (BUSINESS DAY, 2 Jul 86)	61

Article Reviews Dispute Over Coconut Bank (Ramon R. Isberto; BUSINESS DAY, 2 Jul 86)	63
24 Corporations Petition Supreme Court Over Sequestration (R. Panaligan; MANILA BULLETIN, 2 Jul 86)	66
'Economic Indicator' Column on Central Bank Loans (BUSINESS DAY, 2 Jul 86)	68
Drop in Peso to Dollar Rate, Averages Reported (BUSINESS DAY, 3 Jul 86)	70

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK Commentary Hails Control of Angkor Wat Area (Voice of Democratic Kampuchea, 19 Jun 86)	73
Sihanouk Army Official Discusses Resistance (Jacques Bakaert; BANGKOK POST, 27 Jun 86)	75
VODK Applauds ICK Ad Hoc Committee Statement (Voice of Democratic Kampuchea, 29 Jun 86)	78
VODK: 300 SRV Troops Desert From Sisophon Battlefield (Voice of Democratic Kampuchea, 29 Jun 86)	80
VODK Condemns SRV Rejection of ASEAN's Call (Voice of Democratic Kampuchea, 1 Jul 86)	81
VONADK Rounds Up SRV Casualties for June (Voice of the National Army of Democratic Kampuchea, 1 Jul 86)	83
Roundup of VONADK Battle Reports 26 Jun-3 Jul (Voice of the National Army of Democratic Kampuchea, 27 Jun-3 Jul 86)	85
VODK Reviews DK Forces' Activities in Kompong Thom (Voice of Democratic Kampuchea, 5 Jul 86)	87
VODK Cites UN Official Blaming SRV Stubbornness (Voice of Democratic Kampuchea, 6 Jul 86)	89
VODK Reviews DK Forces' Rainy Season Activities (Voice of Democratic Kampuchea, 7 Jul 86)	91
VODK Commentary on Coming Nonaligned Summit (Voice of Democratic Kampuchea, 8 Jul 86)	93
SFRY's Mojsov Sends Message of Thanks to Khieu Samphan (Voice of the National Army of Democratic Kampuchea, 8 Jul 86)	95

Briefs

VONADK: Soldiers Mutiny	96
VONADK: SRV Convoy Ambushed	96
VONADK: Sandan District Capital Hit	96

VIETNAM

INTERNATIONAL RELATIONS, TRADE, AND AID

USSR Journal Interviews Nguyen Co Thach
(PROBLEMY MIRA I SOTSIALIZMA, No 5, May 86) 97

/7310

AUSTRALIA

EXPANDING USSR FISHING AGREEMENTS IN PACIFIC PROMPT CONCERN

Sydney THE AUSTRALIAN in English 21-22 Jun 86 p 20

[Editorial: "Pacific Dangers"]

[Text]

THE move by the Soviet Union to negotiate a fishing agreement with Fiji is a disturbing sign of the Soviets' continuing encroachment on the Pacific region.

The Soviets' first breakthrough in the South Pacific came when it signed a fishing agreement with the island nation of Kiribati. Recent reports indicate that the Kiribati Government is well satisfied with the way the agreement is working out, and is considering extending port facilities to Soviet vessels. At the same time, Vanuatu is negotiating a fishing agreement with the Soviet Union which is also likely to involve port facilities.

The fishing agreements by themselves are no cause for great alarm. However, when viewed in the context of other regional developments they form part of a general trend in which Western influence and values are under increasing pressure in the Pacific, while the Soviet Union and its friends are laying the foundations of strong future influence.

Vanuatu, for example, has established diplomatic relations with Libya, and sent a message of support to Libya during its recent confrontation with America. It is formally a member of the Non-Aligned Movement and has a close relationship with Cuba and significant links with Vietnam.

In the Pacific region it is likely that Cuba and Vietnam would act as Soviet surrogates. It is also likely that by exploiting Third World and anti-colonialist rhetoric Cuba and Vietnam would be better able to win influence in the region than would the Soviet Union, although the Soviets' fishing agreements provide the first stage of what is obviously intended to be a growing presence.

The increasing entanglement of anti-democratic regimes around the world with the fate of the Pacific is also demonstrated by the factions of the Kanak independence movement in New Caledonia, which are strongly supported by Vanuatu, and which have also looked to Libya for financial and other support.

However, the leadership of most of the Pacific States remains friendly to the West and to democratic values. It is up to the Western Pacific powers, notably the United States, France and Australia, to show such an adequate sensitivity to the concerns of the Pacific States that they will not feel obliged to get involved with the Soviets and their friends. The United States has been too slow to control the activities of its tuna fishermen and conclude fishing agreements with the Pacific States.

Australia and the other Pacific powers must seek to assist the Pacific nations in their economic and political development in such a way that the Soviet alternative is seen to be unattractive. We should not merely sit by and let the situation drift.

/9317

CSO: 4200/1221

AUSTRALIA

FORMER RAN OFFICER ON RISKS OF U.S. SHIP VISITS

Melbourne THE AGE in English 26 Jun 86 p 16

[Article by Edmund Doogue]

[Text]

Australian authorities were leaving Melbourne, Perth and Fremantle open to risk of a nuclear accident by allowing visits by US nuclear-armed vessels, a former RAN officer said yesterday.

Mr Michael Lynch, who retired as a lieutenant-commander with the Royal Australian Navy, criticised the Cain Government for allowing US Navy vessels to visit Melbourne. He also said the Dibb Report should be rewritten.

Mr Lynch, 40, who left the navy five years ago, was responsible for overseeing visits by US Navy ships and submarines to Cockburn Sound in Western Australia between 1978 and 1981. In Melbourne yesterday he addressed a panel set up by the Australian Council of Churches and the Catholic Commission for Justice and Peace as part of a national inquiry.

Mr Lynch told the panel that visits by the US fighting vessels did not bring any strategic benefit to Australia. "There is no strategic reason for Australia to accept visits by nuclear-armed and nuclear-powered ships. We are hosting these visits for a good time for American sailors, not to defend Australia," he said.

"We are living in 1986, not 1942. In 1942 the battle of the Coral Sea was on and the US saved our bacon, but things have changed."

He said those who pushed for

strategic defence of Australia in cooperation with US nuclear-armed ships were 44 years out of date.

Mr Lynch said that while US authorities prepared stringent safety procedures in case of an accidental nuclear detonation when nuclear-armed vessels visited US ports, the Premier, Mr Cain, and other Australian politicians simply said they did not know whether US ships visiting Australian ports were nuclear-armed, leaving our ports without safety precautions. "There are very few non-military ports in the US that the ships visit," Mr Lynch said. "New York and Boston have banned nuclear-armed and nuclear-powered vessels."

Federal and state legislation in Australia dealt only with nuclear-powered vessels, not the question of nuclear arms on ships. "Yet a simple visit to a public library will show anybody which ships are carrying nuclear weapons — what type and how many," he said.

He said that, contrary to statements by Mr Cain, the Federal Government did not have the power to enforce visits by US warships.

"At the very least, if the Victorian Government is to host visits by nuclear-armed ships, it should conduct, in conjunction with the Federal Government and the owners of the weapons, exercises to ensure action can be taken in the

event of an accident while a ship is berthed in Melbourne. The US Government regularly conducts such exercises and has also suggested 'mutual training, blended capabilities and extensive consultation with host countries for action in the event of a weapon accident'. We won't even admit they are there."

Mr Lynch said that the presence of the US ships was simply a convenience enabling the US Government to use Australian ports to provide rest and recreation for its navy. A Tandberg cartoon in 'The Age' a year ago summed it up by showing a US military official saying to a Victorian citizen: "We are here to protect you from attacks on us."

Mr Lynch said the recent review of Australia's defence capabilities by Mr Paul Dibb compared unfavorably with a review of defence in New Zealand which invited public submissions "because defence is too important to be left to parliamentarians".

He said the Dibb report should be redone or provision made for public submissions.

A spokesman for Mr Cain said yesterday that the Victorian Government did not like the visits by US warships, but recognised that they were part of the Federal Government's obligations under international treaties.

/9317

CSO: 4200/1221

AUSTRALIA

AMBASSADOR URGES U.S. TO RESPECT CANBERRA'S INTERESTS

Sydney THE AUSTRALIAN in English 30 Jun 86 p 8

[Article by Samuel Washington]

[Text]

AUSTRALIA'S interests should be taken into account in the alliance with the United States and should not be treated as those of a subservient partner, the Australian Ambassador to the United States, Mr. Rawdon Dalrymple, has warned.

Speaking to the Southern Centre for International Studies in Atlanta, Georgia, on Friday, Mr Dalrymple said the US was sometimes irritated by Australia's independent stance.

But it should realise that the interests and contributions of the smaller partner had to "be seen to be taken into account by the larger partner".

"While Australians generally like and admire the United States they are not, and I think never will be prepared to adopt a supine and uncritical posture towards their major ally," he said.

"It is not simply a matter of following the leader whatever the leader does."

Australia's almost "slavish attitude" towards the US, typified by former prime minister Mr Harold Holt's state-

ment in 1966 that he was "all the way with LBJ", had been firmly rejected, Mr Dalrymple said.

Important differences in attitudes and policy now existed on arms control issues, southern Africa, Central America and trade policies, he said.

But the Australian Ambassador was careful to point out that the irritants in the alliance were the sort of normal "vicissitudes" the US encountered with other allies and were more "matters of emphasis than of deep principle".

The keys to maintaining the alliance were to resolve, or at least contain, differences between the partners, and for the US to view its junior partner on a more equal basis.

Mr Dalrymple said the bilateral relationship "continued to be very much a subservient one" up to the end of the Vietnam war.

It then became clear that the Australian people would no longer support an alliance in which Australia was "simply a team player and a rather unquestioning team player".

/9317
CSO: 4200/1221

AUSTRALIA

HAYDEN CALLS FOR TRIBUNAL TO JUDGE POL POT

Sydney THE AUSTRALIAN in English 27 Jun 86 p 6

[Article by Cameron Forbes]

[Text]

MANILA, 26 June. — The Australian Foreign Minister, Mr Hayden, today called for the setting up of a tribunal aimed at removing, as an obstacle to peace in Cambodia, the Pol Pot leadership of the Khmer Rouge.

Mr Hayden wants the culpability of the Pol Pot leadership established once and for all and the credentials of other members of the Khmer Rouge tested.

This would open the way for the rank and file of the Khmer Rouge to participate in Khmer national reconciliation.

The Khmer Rouge, a member of the anti-Vietnamese coalition waging a guerilla war in Cambodia, is nominally headed by Khieu Samphan.

But Pol Pot, who was ultimately responsible for the Cambodian terror, is widely regarded as still being the major force in the movement.

Mr Hayden was speaking at a conference of Asean, western and Japanese foreign ministers held at the conclusion of the annual Asean meeting.

Nuremberg

At a later briefing, he declined to describe the tribunal as a Nuremberg hearing, saying that the outline had intentionally been left amorphous.

The proposal was immediately endorsed in general by the Malaysian Foreign Minister, Tengku Ahmad Ritha Rithauddeen, who said he hoped that Australia would be able to explore the matter further.

The US Secretary of State, Mr Shultz, joined Mr Hayden in ruling out support for any Cambodian coalition government which included Pol Pot.

Asean ministers in their communique had strongly urged the international community to support an eight-point peace proposal put forward by an anti-Vietnamese coalition which is headed by Prince Sihanouk.

A major element in the eight-point proposal — which has already been rejected by Vietnam — is quadripartite government including the Khmer Rouge.

Mr Hayden said that the presence of Pol Pot and people like him had been an impossible impediment for a number of countries, including Australia, in considering a range of otherwise quite positive proposals.

He said that the tribunal proposal had "large difficulties" but that the removal of the Pol Pot presence would eliminate one of the most serious impediments to progress.

Mr Hayden said he had made the point on a number of occasions to Vietnamese representatives that sooner or later a system would have to be developed for dialogue with genuine representatives of the Khmer people, "excluding Pol Pot and people like him".

Mr Hayden cautioned against being too optimistic about any major change in Vietnamese policy towards Cambodia, even after the Vietnamese Communist Party's Sixth Congress which will be held later this year.

But he said there were critical issues relating to the form of post-settlement elections which needed to be addressed by all parties.

"For instance, how can the post-settlement elections be made genuinely free from the threat of force? How should such freedom be guaranteed?" he said.

"These relate directly to the role of the future of the Khmer Rouge and the question of disarmament of armed Khmer Rouge groups.

"It also relates to the acceptability of the Khmer Rouge to the people of Cambodia as a participant in any political settlement while it remains under the leadership of mass murders such as Pol Pot."

Mr Hayden said that unless these and other issues were addressed firmly and quickly the prospect of a continued stalemate in finding ways towards a settlement would continue.

It would continue at great cost to all in the region and to friendly countries.

/9317

CSO: 4200/1221

AUSTRALIA

PARTY FACTIONALISM, UNIONS THREATEN PM'S ECONOMIC STRATEGY

Sydney THE AUSTRALIAN in English 23 Jun 86 pp 1, 2

[Article by Paul Austin]

[Text]

THE strategy of the Prime Minister, Mr Hawke, for tackling the country's economic crisis was in danger of collapsing last night in the face of cross-factional ALP opposition and a bitter trade union backlash.

Mr Hawke was dealt a damaging blow at the Victorian ALP State conference at the weekend when his own right-wing faction sided with the militant Socialist Left to reject his economic plans.

The 450 delegates unanimously endorsed a strongly worded, 15-point resolution rejecting Mr Hawke's proposals for further wage discounting as a breach of the prices and incomes accord.

The resolution condemned the plans, outlined in Mr Hawke's June 11 address to the nation, as a direct threat to the living standards of workers, pensioners and the unemployed.

The rare display of cross-factional unity ensures Mr Hawke will come under intense pressure at next month's ALP national conference in Hobart to abandon his push for wage discounting.

In an extraordinary series of events at the Victorian conference:

MR HAWKE'S Victorian right-wing numbers man, Senator Robert Ray, revealed that the Prime Minister's call for wage discounting was "an

ambit" claim and conceded that discounting would not happen if the union movement rejected it.

THE Storemen and Packers Union (SPU) — a power base of Mr Hawke and the ACTU president, Mr Simon Crean — said discounting was not acceptable and warned that union leaders would not be able to control their members if the Government insisted on discounting.

POWERFUL left-wing union leaders Mr John Halfpenny and Mr George Crawford said the accord would collapse if Mr Hawke imposed his policies on workers.

THE left-wing Minister for Social Security, Mr Howe, said the Government would risk electoral defeat if it pursued policies that breached the accord.

THE Premier of Victoria, Mr Cain, said any government that tried to jettison the accord would be acting against the interests of Australia.

Left-wing strategists yesterday seized on Senator Ray's comments as an indication Mr Hawke would back away from discounting if the Labor movement mounted a strong campaign against it — although they conceded such a move would turn business leaders against the Government.

The Left believes internal party pressure has already forced Mr Hawke to make his

work-for-the-dole scheme voluntary instead of compulsory.

The Victorian secretary of the Amalgamated Metal Workers Union, Mr Halfpenny, who moved the resolution, said Mr Hawke's plan to combat the balance of payments crisis would not work because it ignored the fundamental problems of the economy.

In a powerfully delivered speech, Mr Halfpenny said the strategy had to be rejected because it forced wage-earners and the poor to bear the burden of the economic downturn.

He said that while restraint was being imposed on workers, the Government was merely appealing to the corporate sector to "stop being such a pack of bastards" and to "stop plundering the nation as you have been for the past three years".

Interventionist

While workers had been forced to make sacrifices, business had been free to engage in "an epidemic of corporate cannibalism" that had done nothing to help the country's productive capacity.

"Let it be clearly understood: if the revised policies and proposals of the Government are imposed on workers and their unions, then the accord will perish," Mr Halfpenny said.

The plans were not acceptable because they would make the accord an instrument for suppressing real wages.

Workers had already accepted a 2 per cent discount in the last national wage case. It was unacceptable for Mr Hawke to demand that they accept further discounting, particularly because wages had nothing to do with the balance of payments crisis.

Mr Halfpenny said the resolution outlined a more viable plan for tackling the crisis, including proposals for a more interventionist industry policy.

"If the resolution's proposals were adopted by the Government then Joan Sutherland would sing louder, Deek would run faster and it would help Ben Lexcen get the Australian dollar floating again," he concluded.

The resolution was seconded by left-wing parliamentary staffer, Mr Lindsay Tanner, who described Mr Hawke's address as "the first major nail

in the coffin of the accord".

Mr Tanner said Mr Hawke was proposing to introduce Liberal policies, which would lay the groundwork for the Coalition to return to government "after we've done their dirty work for them".

He said supporters of Mr Hawke in the Labor movement had accepted unpopular decisions on uranium mining, Aboriginal land rights and financial deregulation because the Government had been delivering on jobs and economic growth.

Mr Hawke's plan put this at risk.

"Are you going to cop wage cuts, higher unemployment and Budget cuts, or is there a point where blind devotion ceases and you say enough is enough? If you'll accept this, you'll accept anything," Mr Tanner said.

Mr Howe told the conference that expansionary policies were "absolutely funda-

mental" to the maintenance of the accord.

"If we pursue contractionary policies, then the deficit will get completely out of hand," he said.

It was "intolerable" for a Labor government to propose policies that would allow unemployment to increase.

Mr Howe said the risk of Mr Hawke's plans was that "all that has been achieved in the last three or four years will be squandered by the Government by pursuing policies which are not in line with the accord and not in line with the fundamentals of economic policy".

The federal secretary of the SPU, Mr Greg Sword, said the most important task for the ALP and the union movement was to convince the Government that the strategy of the accord remained correct.

He said it was "impossible" for wage-earners to accept further discounting.

/9317

CSO: 4200/1221

28 July 1986

AUSTRALIA

HAWKE ADVISER INTERVIEWED ON ALP FACTIONALISM

Sydney THE WEEKEND AUSTRALIAN (Weekend Supplement) in English 28-29 Jun 86
pp 1, 17

[Interview by David O'Reilly with Senator Graham Richardson, ALP Right Ally of Prime Minister Robert Hawke: "Hawke's Number Cruncher"; passages in slantlines published in italics; first paragraph is AUSTRALIAN's introduction]

[Text]

Is the granite facade of the Hawke Government and the Australian Labor Party's Right Wing machine starting to crack? Although the Right showed their power in NSW recently when Barrie Unsworth was swept into the position of Premier designate, the resignation this week of Peter Barron, a senior member of Mr Hawke's Manchu Court, has indicated that the forthcoming ALP Federal Conference in Hobart may not be all smooth sailing for the Right. In Canberra this week DAVID O'REILLY spoke to the Prime Minister's chief 'number cruncher', Senator Graham Richardson, about the power plays that go on behind Canberra's closed doors.

RECENTLY Graham Richardson, to use his own parlance, had a big win. He didn't crush the Left in a factional coup or swing the Prime Minister, Mr Hawke, around to his own eye-to-the-vote view on some policy decision.

He simply got given a bigger office. Twenty-five centimetres bigger, to be precise. Following recent changes to the already cramped office arrangements in Canberra's

Parliament House, Senator Richardson and his staff of two were shifted just up and across the corridor.

Now he crams chairs, tables, filing cabinets, telephones and word processors into a space just three and a half by three metres.

But the former NSW ALP State secretary and now key adviser to the Prime Minister knew when he moved into the building three years ago as a new senator he had to "cop" the deprivations just like every other federal MP.

Any special privileges would have opened himself — and Mr Hawke — to all kinds of criticism.

Despite the telephone-booth shortcomings, metre for metre, rooms M134 and M168 would have seen more high-powered business done in the three years than probably most other offices in Australia.

In room M168 recently Senator Richardson talked frankly to *The Weekend Australian* about the business conducted there — his own role in the Government, the "mythology"

that has grown up around the power of his right-wing faction inside the Government's Caucus and decision-making forums.

He spoke of the awesome "discipline" his "grouping" brings to the factional negotiating table, the very nature of factionalism claims that the bulk of the Government's MPs are irrelevant in decision making and the complaint by the Left that this is not a true Labor Government at all.

He also spoke on his celebrated six-month row with his factional ally, the Treasurer, Mr Keating.

Confronted with the constant criticism that he and the NSW right wing exert a disproportionate influence on the Prime Minister and thus the Government, Senator Richardson insists his group is entitled to such power.

"It's the largest group in Caucus by quite some distance so it's entitled to be influential," he said. "The Prime Minister, the Deputy Prime Minister and the Treasurer are among its numbers. So, it's pretty obvious it's going to have influence. As well, the Prime Minister, the Deputy Prime Minister and the Treasurer grew up in it. It's not as if they came to it yesterday. So, it's not just me. Their friendships and old loyalties lie with a lot of people in the group."

Senator Richardson effectively concedes much of the "mythology" around his own access to Mr Hawke is correct.

"I get lots of that, access — there's no denying it. But that doesn't mean I get my way. I mean, sometimes you win, sometimes you lose, because you are only part of a process."

"What annoys me is that when we lose on something the press writes the NSW Right has suffered a terrible defeat. When we win it is that the Cabinet has again prevailed. So in that sense you are painted as the ogre and you can't win."

"The truth is, however, that irrespective of how the press reports each individual thing, we have had some significant wins and some losses and that will continue. The faction doesn't expect to win everything. It never has."

Senator Richardson acknowledges the fascination inside the political fraternity with this question of access, his role and the network of people including his close friend, former News Ltd journalist Peter Barron who resigned from Mr Hawke's personal staff this week after three years as principle adviser.

Despite the conventional wisdom, there is no "machine" and different people have different roles and influence on the decision making, depending on the issues.

"I saw it written that I see Hawkey once, twice or three times a day. Well, that's nonsense. There are times when I don't see him for weeks. On the other hand, if there is something vital occurring I might see him that often."

"You are not called upon to see him unless there are things happening that require you to see him . . . but there are different determinants and issues that can come into play."

He concedes that on occasions Cabinet has had more say than himself or Barron.

"The Cabinet and deliberations there are pretty important. We don't often form them (ministers) around. So there are a lot of issues that go to Cabinet before I've talked to him (Hawke) or anyone has talked to him."

"Debates are held and maybe decisions are made or an opinion in Cabinet formed and it's very hard to jump over that."

"It's very rare that you can, there's only a couple of instances where that has happened. So it's not the case that we've got the sitting shot on all these things or anything like it."

Without being "pious", Senator Richardson says Mr Hawke is always keen to consult with his fellow parliamentary leaders, Deputy Prime Minister Lionel Bowen, Senate leader John Button and deputy leader Don Grimes.

"Keating obviously is very important to him. He sees a lot of Keating so that's important. Now, having said all that Peter (Barron) saw Hawkey more than anyone. More than anyone in the country. More

than his wife, probably because Barron worked there all day . . . Now, Barron and I have been able to influence him on some things. We've also tried very hard on others and failed."

"I suppose it annoys me when Hawkey is criticised for paying us too much heed when the reality is that we'd like to criticise him, at least privately, for not paying us enough. I suppose he can't win and neither can we. You never want to get the impression that it's all cut and dried or that it's all one process that happens on every occasion because there are different components."

Keen to set the record straight about his own power — "it's probably time somebody did" — Senator Richardson backtracks to make a point.

The point is critical to the pivotal role the hard-nosed NSW right wing powerbrokers played in switching their support to Mr Hawke in the trigger for the leadership coup against Bill Hayden in 1983.

"The thing that has got to be understood about access and influence is that we (the Right) were the ones that were on the tram at the start, right?"

"We've been there all the way. We weren't late conversions. There was no road to Damascus for us. We were always there and so it is natural that the first places he would look would be to the people who were always there."

"When you become PM you can't always only look there, though. So the best way to describe us is that we might be the first place that he turns but we certainly aren't the only one. I think that's an important distinction."

Senator Richardson puts the dominance of his grouping within the Government down to its "homogeneity".

"If you look at the sort of people that make up the group, their personalities, backgrounds, outlooks, you find there are a lot of things they have in common . . . more in common than perhaps the other groups (the Left and Centre Left factions) would have when they sit around the table."

"It's no secret that the Left have had some spectacular arguments over the years.

"But we certainly haven't. Our people tend to think alike. They are all similar sorts of people. They're not the same, just similar. So we don't normally ever get division.

"I mean, I can't ever remember at our faction meetings a division when you have had to stand up and say we have to have a vote on this."

But he balks at the suggestion that the faction's discipline sets it apart.

"No, it's not discipline, that's what they all say about us. The taunt is that in some way we organise them, suppress their desires and twist their arms up their backs.

"Well that's just nonsense. It doesn't happen. I mean there is just a fair-sized group of people who share a lot of views."

/So does the Right have better leadership than the other factions?/

"Oh, come on. How am I supposed to answer that for Christ's sake?"

/I'm here to ask them, you to answer them./

"Oh, yeah! Well, you might bowl them up but what am I supposed to say? That I'm better than Gerry Hand (the Left's leader) so we go better? I'm not going to say that..."
/Better tactics?/

"It's always hard ... We have never had an election for leadership of our faction, I might say. I don't think we ever have, actually, now that I think about it ... but I never think about it."

He concedes, however, that he and the right wing's Victorian organiser, Senator Robert Ray, form a formidable factional negotiating team.

While the very word "faction" can have onerous con-

notations, Senator Richardson insists that while Caucus meetings under the Whitlam government became "slanging matches from the opening sentence to the last", those under the Hawke Government are relatively peaceful.

"Obviously, you get the odd flash but the reality is that it's been managed better because faction leaders are in possession of a fair amount of knowledge. They can impart it to the troops and a lot of potential disasters are headed off and never see the light of day. It's not a fool-proof system but it's a damn sight better than what existed before."

On the complaint of many MPs that the broader Caucus is not consulted enough, the senator pleads pressure of work on Mr Hawke and Mr Keating and the fact that in the long lead-up to the Budget every year Parliament is in session and MPs cannot be consulted on the big decisions.

Conceding lack of consultation has been a big problem in the Government's Caucus, he insists it's on the improve.

"I think there is an expectation that the PM and the Treasurer should spend more time speaking to the troops and at least sitting down and asking what they reckon, what's happening in their electorates, all that sort of thing.

"That hasn't happened much and so everybody complains.

"But if you look at the workloads of both of them and the hours they put in it's very hard to ever get a system where that could happen. So I don't know that those sorts of problems are ever going to be solved. You've just got to keep trying to do the best you can - trying to keep the lid on the bottle."

Asked how well the Caucus system operates, Senator Richardson says he's not the one to comment because he's not a "Caucus performer".

"I've almost done nothing to speak of in Caucus. I've done very little because I don't want, you know, to intervene when I'm already getting, in a sense, a fair bit of publicity or a fair bit of access or whatever.

"I think Caucus ought to be for those who don't. So I don't try to monopolise Caucus time. I very rarely do anything in there. I do a lot about Caucus but not actually in there."

Despite recent speculation that the Prime Minister is tiring - "He's on a Pritikin diet! Christ, how could you smile on a Pritikin diet?" - Senator Richardson says Bob Hawke is still the man his faction first backed into the prime ministership.

"Not too many polities would have been around as long as him and still rate as highly as him. So he's all right. I knew what we were electing, see? Now, a lot of other people didn't. I always knew I'd be happy with what we were electing. I just never doubted it."

He scorns absolutely the allegation that the Hawke Government has betrayed the traditions of Labor, that it is not a true ALP government and that it has repeatedly torn up party policies.

"There are a lot of those who say that and there is no doubt that we have a restive rank and file. I don't believe that is the view of the rank and file but it is a concern they have. They are restive about it.

"What I'm saying is that I don't think they have decided we are not a proper Labor government but they are wondering about it."

"That's something that we as a government have to address in the next 18 months. I have never believed that you can win an election if the party isn't going to be 110 per cent. It's very important to have the unions and the party behind you. The base has to be intact. You can't fight a war unless the legions are all assembled and well armed. So I think we have got to address the problem."

He rejects outright the suggestion that the Government reacts too much to public opinion, is too cautious and reluctant to get out in front and lead and that it is hardly a reformist government.

"It has done a hell of a lot. I don't think that's a fair criticism. You may wish to attack it by saying you don't like the things it has done. It's very

hard to look back on our three years and say we haven't done much.

"The reform of the tax system was a massive and major reform.

"All the deregulation stuff is not in our traditional mold but as I keep reading, socialism is in a state of change. I think when you are put in charge of an economy like ours you must acknowledge it is a mixed economy with a leaning towards the private sector.

"You can't do all that much to alter it. You have got to make sure you manage it properly and well and create enough wealth for everybody to enjoy themselves and improve their standard of living over time.

"That's what we set out to do and in the end I've always believed the (Labor) movement, like the people, judge you on results.

"If you deliver the goods then they will thank you for it. If you don't they will kick you.

"Now, we've had three years of delivering the goods and, by all objective evidence available, the percentage approval in the polls of Hawke is enormous. It's enormous. So I just don't believe the propaganda that the labour movement has decided we are not a true Labor government.

"There is no objective evidence for that.

"It may well be that some people in the party don't like it. It certainly is that case that some people in the party don't like it.

"And it's probably the case that all the people in the party worry about some aspects of it.

"But, overall, you would have to say we've done all right and the reforms we've brought in were appropriate . . . we led on tax reform - we were all out there leading.

"Look, on what are we supposed to lead? All I can say to these people is what are the issues that people are crying out for leadership on?

"The only thing you ever hear talked about is uranium and people just aren't crying out there for us to lead on uranium."

Conceding he had six months of strained relations with Mr Keating, his factional ally, over the direction of economic policy, Senator Richardson insists the breach is now fully healed.

"I think dealing with the likes of us you are dealing with pretty fair-sized egos.

"They are going to get bruised from time to time and when they do there will be a bit of distance created.

"But it's like a ship sailing on the oceans and all that happens is that you might walk to opposite ends of the deck but you are still on the same ship.

"No one has dived off. And, I hasten to add, no one will. No chance."

/But isn't it extraordinary for you and Mr Keating to stand at opposite ends of that ship for six months?/

"No. No . . . we're allowed to do that. I've known Paul since 1967. It's a long time. I suppose we've earned a blue after 20 years.

"If you look at the timing of it I can't think of one issue that it affected. Not one. And during it, when you say we didn't speak for six months, things were still happening in Caucus that were creating alarm bells.

"I was still the first outside on the phone saying you better get up here, sport, because there is a problem."

Asked if Mr Keating was damaging his chances of becoming prime minister because he lacked humility in dealing with his MP colleagues, Senator Richardson observed that if he had to think of one characteristic Mr Keating and Mr Hawke shared it would not be humility.

"If one went back to Whitlam and others . . . we don't have leaders in the Labor Party who are humble people. You don't fight your way to the top of this scrap-heap being humble. You fight your way there because you've got confidence in your ability and the guts to back up the confidence."

/But you can see what I'm getting at? Does Mr Keating lose people he could otherwise keep on-side because his handling of them is abrasive?/

"Look, I think both Keating and Hawke could do with spending a bit more time with the troops. I don't think either of them would say that was a shocking thing for me to say. And I think they both probably want to but they can't.

"If they did, all would be forgiven. The problem is the pressures of time. But, then, there are people like me to talk to the troops to make sure they understand and accept and do the right thing."

Senator Richardson refuses to declare his hand on whether he will be a starter for the ministry if the Government is returned next year.

He also doesn't concede the point that filling his role as factional boss, numbers man and tactical "sweeper" for Mr Hawke could be a problem.

"You make a decision on your own progress for your own reasons. And there are lots of reasons why I haven't made my mind up. I have done nothing to advance myself in a particular way for the ministry.

"I have never taken the chairmanship of Caucus committees or any of that sort of stuff . . . I've sat in rooms and handed them out and never taken one for myself.

"I won't overestimate myself. Obviously there would be some who would like to think I'd stay in this job forever . . . some because they think I do a great job and others who are rivals for a ministerial ballot.

"But I don't worry about anything like that. It's not a determining factor in any thing I do.

"I will make up my mind to run for the ministry after talking it over with my family and friends and for my own reasons.

"It will have nought to do with whether or not anyone thinks I should stay doing what I'm doing or anything else . . . rather, just because I either want to do it or I don't."

AUSTRALIA

ROLE, IMPACT OF SOCIALIST FORUM ANALYZED

Sydney THE AUSTRALIAN in English 23 Jun 86 p 13

[Article by Paul Austin]

[Text]

WITHIN the Socialist Left faction of the ALP, where conspiracy theories abound, one organisation evokes more in the way of emotional response than any other — the Socialist Forum.

To its supporters, the Forum is seen as something of a saviour of socialism in Australia, the catalyst through which the country's progressive thinkers can exercise an influence on the political agenda.

To its detractors, and they are many and loud, the Forum is a divisive and destructive force, to be blamed for most of the troubles that have plagued the Left in the 1980s.

The militant old guard of the Left, led and inspired by the now expelled ALP activist Mr Bill Hartley, has tried to have the Forum proscribed, describing it as being as bad as the reactionary right-wing group, the National Civic Council.

Supporters of Mr Hartley, and even some from the more progressive new guard Left, point the finger at the Forum when attempting to explain the demise of the once-militant Australian Union of Students, the re-admission to the Victorian ALP of four big right-wing unions, the abandonment of ALP policy to abolish the Victorian Upper

House, the Nunawading by-election how-to-vote card debacle, and the continuing ructions between the old and new guards of the Left.

Indeed, in some quarters, the term "Socialist Forum" is pronounced with such hatred that it becomes a term of abuse.

Amid all the vitriol there is considerable ignorance. Most outside the ALP, and some within the party, have little knowledge of the Forum, its objectives and its modus operandi.

The Forum was formed almost exactly two years ago after the traumatic split in the Communist Party of Australia (CPA), which saw most of the CPA's leadership in Victoria walk out.

Among their number was one of the grand old men of far-left politics in Australia, Mr Bernie Taft, and his articulate son, Mark.

The Tafts and others of like mind organised two public meetings at Unity Hall in Melbourne, the outcome of which was the creation of the Forum, a left-wing discussion group open not only to members of the CPA and the ALP, but to anyone wanting to trade political ideas.

Today the Forum claims about 300 members. About 50 of these are or have been members of the CPA, about

150 are in the Labor Party, and about half of these in the Socialist Left, while the rest confess no official political affiliation.

The fact that the Forum is so difficult to define — it has no policies, makes no resolutions and is not a political party — is the main reason it is regarded with such deep suspicion by some in the ALP.

Significant progress

The Forum's statement of identity says in part: "Rigidly held positions have no place in our project. An openness and preparedness to share and discuss differing experiences is vital . . . we stand for open discussion in which participants are not frightened to put forward their views and to ask questions."

In a party such as the ALP where factionalism and numbers crunching is an art form, and where open discussion of controversial issues is rarely encouraged, the Forum is promoting an alien concept.

According to its only full-time organiser, Mark Taft, the cross-factional aspect of the Forum goes a long way towards explaining why some within the ALP blame it "for

everything but the muddiness of the Yarra River".

Where there is a lack of understanding, says Mr Taft, the urge to look for a conspiracy becomes overwhelming.

Mr Taft, an intense and endearing man in his mid-thirties, a Vietnam draft resister and product of the Monash University "school of student activism", mounts a persuasive defence of his organisation, many of whose members were fellow radicals in the Vietnam era.

He and 22 other senior communists quit the CPA in 1984 because they believed it was becoming increasingly irrelevant. It was time, they argued, to take socialism out of the margins of Australian political culture.

The Forum is Mr Taft's means of achieving that end, given that he acknowledges the ALP is entrenched as the legitimate party of the Labor movement.

His support for Labor governments — "I do not believe you will see significant social reform in Australia unless you see a period of consecutive Labor governments" — and for the ALP ACTU Prices and Incomes Accord contributes to the Forum's alienation from the old guard Left.

So too does his outspoken attitude on the deficiencies of the ALP Left.

"The Left in Australia is weak, despite what some people might think. It's on the defensive, rather vulnerable and in the federal sphere, with some exceptions, not terribly relevant," he says.

In what many would see as a contradiction in terms, Mr Taft says much of the Left is very conservative, particularly in its attitude to the future of working life in a rapidly changing world.

He says, for example, that while traditional left-wingers are dreaming re-runs of the workers' victories in the French and Russian revolutions, the trade union movement in Australia has suffered crippling defeats in the Queensland power workers and Dollar Sweets disputes.

The Forum aims not to replace the Left, but to make it more effective.

"Our concern is not to see one group triumphing, it's rather a concern to see the political agenda changing in Australia. To see the Left become relevant to Australian political life in a way that has not been true now for several decades," says Mr Taft.

"We're talking not of an oppositional Left, but of a Left that intervenes in political and social decision-making. A Left that wants real change, not just minor tinkering with the social system. A Left that recognises the constraints of public opinion and puts up realistic and realisable proposals for social change."

Mr Taft argues that the Left has made slow but significant progress in the past two years, in part because of the influence of the Forum.

"People in the Left are openly discussing issues where they would not have done so before," he says. "Significant sections of the Left now believe in the strategic need for negotiated agreements between the Labor movement and Labor governments. Sections of the Left are now saying that mechanisms other than mere protectionism are necessary for industry revitalisation and the creation of a viable manufacturing base."

"People on the Left are now saying that sometimes people outside our own faction have sensible views. Now, that's a bit of a change in the Left."

Mr Taft believes the need for a more viable Left is made all the more urgent by the impact that the New Right, represented by the Federal Opposition leader Mr Howard, and his Treasury spokesman, Mr Carlton, is having on the political agenda.

This, says Mr Taft, has "horrific, frightening" implications — a deregulated labour market, privatisation, large differences in wage levels, diminution of trade union involvement in decision-making, an attack on the social wage and the legitimisation of selfishness.

Hence the need for the Left to redefine its socialist objective in contemporary terms, which means fusing socialism with democracy, where in the past the two models have been estranged.

In Mr Taft's words: "We need to have a mass conception of social change, rather than minority vanguardist conceptions. We need to recognise that change will come over time through reform based on majority popular support, not through revolutions, massive disruption and dislocation based on minorities."

"The difficulty of getting acceptance of that within the Left is very great because our culture, our background, our history is such as either not many people understand the need for majority support or, in some cases, to actively oppose such views . . . it's taking an awfully long time for the Left to grow up."

Comments such as these are, not surprisingly, resented by many in the Left. A typical response is: "We don't appreciate someone outside the party telling the party how to operate."

Practical followers

Mr Taft says he believes in political parties and will join the ALP when he finds the time, although he enjoys the Forum because it lacks the disciplines and constraints that are part of any party.

"The most relevant period of my political life has been working for the Forum where I haven't been passing resolutions," he says.

The passing of resolutions — a ritual of almost spiritual significance to many in the ALP — amounts to little if, as Mr Taft contends, most are filed away destined to become items of archival interest.

The absence of decision-making does not, he argues, mean the Forum is nothing more than a talk shop.

While many Forum members have tertiary qualifications and influential jobs in government, the union movement or the public service, few are academics. This, says Mr Taft, is because so many Australian Left academics concern themselves almost exclusively with abstract, scholastic concepts.

"The Forum doesn't appeal to people who are not practical," he says. "It doesn't appeal to people who are simply interested in number-punching. It does appeal to people who in their day-to-day lives are concerned with the implementation of ideas."

The Forum's only other staff member is part-time organiser Ms Julia Gillard, who, like four other members of the organisation, is a former president of the Australian Union of Students. Unlike Mr Taft, Ms Gillard is a member of the ALP and the Socialist Left.

Last year, when Mr Hartley was trying to have the Forum proscribed, Ms Gillard spoke at numerous ALP branch meetings in an attempt to allay fears and overcome prejudices. The mission was only partially successful.

She says the ALP "rumour network" is difficult to combat, and although some of the

allegations made against the Forum were "quite laughable", there could be no doubt that at least some of the mud would stick.

Some of the more notable identities who have contributed to Forum debates — whether at the weekly discussion meetings or less-frequent seminars and discussion papers — include the ACTU leaders Mr Simon Crean and Mr Bill Kelty, both of the right-wing Labor Unity faction, Senator Peter Cook of the Centre-Left, and Victorian left-wing Cabinet ministers Mrs Caroline Hogg and Mrs Joan Kirner.

It is perhaps indicative of the bitterness with which the Forum is regarded in some quarters that Mr Taft felt unwilling to reveal the names of members of Parliament who are in the Forum.

/9317

CSO: 4200/1221

AUSTRALIA

EDUCATOR HITS 'NEW RIGHT' THREAT AGAINST UNIONS

Sydney THE AUSTRALIAN in English 27 Jun 86 p 13

[Commentary by Alex Carey, honorary visiting fellow, the school of Psychology, University of New South Wales: "The New Right Is Working Overtime Against Unions"]

[Text]

TWO things are clear about the present circumstances of Australian unions. First, with membership at some 52 per cent of the workforce, the Australian union movement is arguably one of the strongest in the world. Second, it sees itself gravely threatened — and with some reason — by an Australian version of the neo-conservative radicalism which has triumphed in the United States and the United Kingdom.

The Australian variety of the neo-conservative (or "new right") movement may, for purposes of broad identification, be represented by Hugh Morgan, Lang Hancock and John Leard among industrialists, and John Howard, Senator Chaney and Sir Joh Bjelke-Petersen among politicians. The movement has made the reform or dismantling of the arbitration system, for the express purpose of reducing what is seen as "excessive" union power, a priority objective.

Whether unions retain their relatively favored position in Australian politics and society will depend in part at least on how well they analyse and respond to the neo-conservative challenge. There is much in this connection that the union movement can learn from the rise and fall of its American counterpart in the decades since the 1930s.

The Wagner Act of 1935 gave American workers extensive rights and legal support in organising unions and bargaining collectively. An unprecedented growth in the American labor movement followed. But by 1946 strikes, conducted with scant regard for public relations, reached an all-time high.

The following year Congress passed the Taft-Hartley Act (which had been drafted by the peak employer body, the National Association of Manufacturers) over President Truman's veto. This act severely curtailed union rights and freedoms. It was expressly designed to reduce allegedly excessive union power. In the long run its passage played a significant part in the decline of the American labor movement to its present state of political impotence.

The level of strikes in Australian industry generally has been much reduced in recent years. But in service industries, where stoppages cause maximum inconvenience to the public, strikes still make frequent headlines. Meantime, union leaders have obtained a much higher profile in the councils of government. For many people these circumstances give plausibility to the claim that unions are now too powerful; and even to the time-honored charge, recently featured in John Leard's many full-page advertisements, that "the unions are running the country".

The pre-eminent lesson from American experience must be that in the long run the union movement will prosper or come to disaster according to whether it gains or declines in public sympathy.

The point may be reinforced from recent Australian history. Long before Malcolm Fraser lost government he had enough legislation on the books to cripple the union movement. He did not use it only because his opinion polls showed that he would not have the support of the (voting) public. That tactical error will not be repeated, despite Mr Howard's impatience for a leap to "dryness". Next time around the (neo-conservative) priorities will be reor-

dered: first get your public opinion right, then worry about legislation.

The campaign of persuasion on behalf of freer free enterprise operates at two levels: a popular level aimed at the general public and a more elite level aimed at so called opinion-formers and other influential people.

Enterprise Australia, founded in 1976 and financed by some hundreds of corporations, is the principal vehicle of popular proselytising in Australia. In 1979 it brought Mr Bart Cummins, top executive of the Advertising Council in New York, to Australia to promote its cause. "As Enterprise Australia has been telling you," Mr Cummins advised meetings of business leaders in every state, "you've got to persuade the electorate that they've got a great system ... the greatest system the world has ever known".

Mr Cummins should know. From 1975 to 1980 he organised a nationwide proselytising campaign on behalf of American corporations that 'The New York Times' described as a "study in gigantism ... reaching practically everybody".

By 1978, according to a congressional inquiry, American corporations were spending \$1 billion a year on this campaign. By 1980 the Advertising Council's annual opinion polls revealed — to its satisfaction — that support for deregulation of the economy had grown from 42 per cent to 60 per cent.

Enterprise Australia has attempted to emulate these American achievements. Its campaign of persuasion has extended from schools to universities, from millions of dollars worth of radio slogans to TV series and video courses in "economic education" for employees. But it is meeting resistance — from teachers and unions and even from sections of the business community.

At the more elite level the principal proselytising agencies are the raft of conservative think-tanks that have been launched in most Australian capital cities during the past decade. Most of these think-tanks give as much emphasis to spreading their message to a large range of "opinion formers" as they do to producing research and reports in support of it.

Thus the proselytising work is divided. Enterprise Australia directs its efforts to warning the populace at large that our entire way of life is under threat from the power of militant unions and other "extremists" who are said to be intent on "wrecking the free enterprise system".

The think-tanks play a parallel, if more tem-

pered, role. Their efforts are directed to setting the agenda, the terms of debate, for what Professor Harold Lasswell calls "the talkative professions": editors, columnists, commentators, MPs and such. The think-tanks do this by producing an unending flow of studies, reports and analyses which ostensibly show that a free market solution is best for every conceivable social problem.

There is considerable evidence to suggest that anti-union public relations work is having an effect. Recent public comment and discussion appear to accept without challenge that there is now an imbalance in management-union power which favors unions. This is a somewhat surprising belief to find so prevalent at the end of a three-year period which has seen a large decline in strikes, a substantial decline in real wages, a large increase in the percentage of GDP going to profits as compared with wages, and stock market prices at an all-time high.

Moreover, surveys of opinion about unions reveal that it is not the unions with which respondents are familiar — to wit their own — that they regard as greedy, too powerful or generally unreasonable. Rather, it is all the other unions, the ones of which they know little except via the media.

An extensive survey by Professor John Niland (also of the University of NSW) reveals that a representative sample of managers has much more favorable opinions of unions with which they are familiar, than of unions with which they are not familiar! All these results provide at least indications that something besides the behavior of unions is doing the public image of unions considerable damage.

Powerful new proselytising agencies are at work whose considerable output and influence on public opinion will not (to put the point at its mildest) assist the public image of unions. Yet in a democracy the union movement must, in the long run, live or die by its public image.

There is therefore a greater need than ever for unions to pay close attention to their public relations; and that, in developing strategies for pursuing reasonable objectives, they elevate public relations considerations to a position of first importance. This will require much more attention both to explaining their policies and behavior to the public and to finding ways to minimise public inconvenience when unions take industrial action.

* Alex Carey is honorary visiting fellow, the school of psychology, in the University of New South Wales.

/9317

CSO: 4200/1221

AUSTRALIA

MILITARY OBJECTIONS TO OTH RADAR REPORTED

Sydney THE AUSTRALIAN in English 23 Jun 86 p 2

[Article by defence editor Peter Young]

[Text]

A TOP secret report which calls for the speedier development of the Jindalee over the horizon (OTH) radar system and a possible new surveillance command is to go before the Defence Force Structure Committee in Canberra this week.

It is almost certain to spark off a revolt within the military over what is seen as an increasing civilian encroachment into operational areas.

The report is named for its author, Dr Michael Gilligan — a senior defence bureaucrat in the Force Development Analysis Division of the Department of Defence. It calls for a priority allocation in the next financial year of \$375 million for the development of three OTH stations.

It carries the highest security classifications and is believed to be accompanied by a memo from the Secretary of the Department, Sir William Cole, further limiting its distribution on a "need-to-know" basis.

The report would normally be welcomed by the services, which are all too aware of the value of the OTH surveillance system as a long-range warning trip wire. Many within the services, however, see the report as being based on claims unsubstantiated so far.

Jindalee is designed to detect intruders at ranges of up to 6000km by bouncing a radar beam off the "E" layer of the ionosphere to hit a target. The echo travels by a similar path to a separate receiver, where the echo and related doppler shift formation is processed by computers.

The system allows more than a million square kilometres to be covered at once, and brings a new dimension to the problems of the surveillance of Australia's northern approaches.

The only problem is that while Jindalee can warn that something is coming, it cannot differentiate between friend or foe. As a result, the conventional wisdom calls for a mix of Jindalee and an airborne early-warning and control aircraft to identify the target and control any response force.

Yet despite these limitations, the report is believed to claim that Jindalee can eventually carry out acquisition surveillance and identification as well as vector control of response aircraft. This is believed to be used in the report as a rationale for the further deferment of buying an airborne early-warning aircraft.

Given the rapid increases in computer software, these claims could well be true, but these capabilities lie well in

the future. There are also problems of the vulnerability of the fixed-ground installations to raids and air attack.

Both the installations and response fighters would also be open to electronic counter-measures if the system were to be used in the control and vector role.

Much of the findings of the Dibb Report in the area of surveillance are believed to be based on an unquestioning acceptance of the Gilligan Report. Not only does Mr Dibb recommend that the highest priority be afforded to Jindalee, but he suggests that the acquisition of airborne early-warning aircraft be deferred until Jindalee has had the chance to prove its potential.

In turn, the Gilligan Report is believed to be feeding off the endorsement provided by Mr Dibb. But the services, and the RAAF in particular, believe that much more work should be done before a final decision is made.

The report is believed to be scheduled for consideration by Cabinet in July. It is believed to contain provisions designed to exempt it from any further critical assessment or input from the services.

This rushed passage through the normally slow and obstructive committee system is being questioned by the military. They are all too aware of the civilian control of the committee system agenda and their history of deferring proposals for further study.

One source said that if such a tenuous report had come from the services it would be "laughed out of court" by the committee. Yet what is being seen as a shaky technical and decidedly suspect civilian-based operational concept is being given priority treatment.

The services also point to the recent findings of the Joint Parliamentary Public

Accounts Committee review of defence project management, which cited the Jindalee project as lacking in project definition and planning.

They believe the report does not meet the criteria laid down in the review that projects should proceed only on the basis of a "high degree of assurance as to the outcome in terms of cost and performance".

Many within the defence sphere believe the report should be held back for further study and action taken only after it is integrated with the Air Defence Surveillance Elements Study and a similar study on air defence being done by the RAAF.

No confirmation was available from the Defence Department, and Dr Gilligan yesterday refused to make any comment other than to confirm the existence of the report.

/9317

CSO: 4200/1221

AUSTRALIA

DEFENSE ESTABLISHMENT CRITICIZES DIBB REPORT

Sydney THE AUSTRALIAN in English 25 Jun 86 p 13

["Defence" column by Peter Young: "The Pros Aren't All that Impressed"]

[Text]

WHEN the Dibb report was released it was greeted with acclaim by the media. The political pundits had a field day.

But Mr Dibb is now coming up against the professionals. And despite the fact that every effort had been made to pre-empt such critics by painting them as outdated sabre rattlers, the hard military realities behind the assumptions made by Mr Dibb are now coming home to roost.

The common criticism is that Mr Dibb has made an over-optimistic assessment of the region and that the narrowly based force structure suggested by him would not be able to respond quickly enough to any indirect regional threat.

Last week Senator Harradine (Ind, Tas) dismissed the report as "virtually irrelevant" to Australia's defence needs because of its over-optimistic assessment of the region. In a detailed paper incorporated into Hansard, he described it as a policy of "undefended neutrality" which ignored the economic and military penetration of the South Pacific by the Soviet Union and its client States over the past decade.

Senator MacGibbon (Lib, Qld) went further, describing the report in the Senate "as a series of totally false assumptions". It was, he said, based

on a strategic assessment which was little more than "a political document drawn up by public servants in the Department of Defence to cater to the known prejudices and beliefs of the Government".

The Opposition spokesman for Defence, Mr Sinclair, condemned it as "a retreat into Fortress Australia that would further isolate us from the US alliance and alienate our ASEAN and regional friends".

Each of these men, of course, has a political axe to grind, but all have access to a wide range of top-level military advice.

Their closely detailed criticisms must be accepted as reflecting those of the military who believe the report will seriously limit the options open to any future government to exert influence within the region.

Similar doubts were raised by Commodore Allan Robertson in a recent paper for the NSW Institute of Public Affairs which concluded that the report was "isolationist, and would be seen to be so by the United States and our ASEAN friends and neighbours in the south-west Pacific".

The influential national council of the Australian Defence Association has condemned the report as "no more

than a recipe for a reduced defence capability".

But the strongest criticism comes from Admiral Lyons, the US commander in the Pacific — the man charged with the collective Western defence of the region. He has described the report as "reflecting the rhetoric of the Left". His attitude leaves no doubt that Washington sees Mr Dibb's arguments as isolationist and moving towards a New Zealand-style abrogation of our obligations under ANZUS.

Mr Dibb, he said, does not perceive that there is any threat to Australia, but the Soviet Union already has the capability to threaten Australia from its base in Vietnam as well as being able to interdict sea lanes and lines of communication within the region.

This Soviet military expansion, he said, was being backed by a matching diplomatic and trade offensive designed to neutralise American influence and to break up the Western alliance.

In his speech to the National Press Club last week, Mr Dibb strongly defended his views — but was quick to retreat behind the endorsement of his plans by the Chief of Defence

Staff, General Sir Phillip Bennett, and the national president of the RSL, Sir William Keys.

While both men have welcomed the broad thrust of Mr Dibb's proposals, they have expressed serious reservations over his strategic assumptions of a benign region and many of the force structure proposals that stem from it. Each of the service chiefs has taken a similar line — with each calling for further studies to be carried out before being prepared to endorse the individual service equipment and force structure recommendations in any future White Paper.

Rivalries

The RSL welcomed the report as a valuable contribution to the debate — which it is. But Sir William questioned whether Mr Dibb had been working to politically inspired instructions in tailoring his plan to the financial constraint of 3 per cent of GDP. He also seriously questioned Mr Dibb's strategic assessment.

Instead of the stable region put forward by Mr Dibb, there

were nationalist and development pressures, religious rivalries and inroads by the USSR and Libya — all of which Sir William said made the area "the most dynamic in the world with a concomitant potential for instability".

These views reflect some of the best professional advice available. Yet they are already being brushed aside as part of what Mr Dibb terms "the phony debate" as he now embarks on a government-funded campaign to sell his proposals.

To some, this puts Mr Dibb in the role of an expendable "facilitator" with the task of drawing the crows and defusing and depoliticising any embarrassing argument. It is a role which will allow the Government the freedom to choose the most politically acceptable course once the arguments have been fought in the military arena.

This might be good politics but the weight and authority of the common criticism should be enough for the Government to stop playing politics with defence and call for an immediate re-evaluation.

/9317

CSO: 4200/1221

AUSTRALIA

FINANCE DEPARTMENT FIGURES SHOW \$800 MILLION DEFICIT GROWTH

Melbourne THE AGE in English 21 Jun 86 p 1

[Article by Robert Garran]

[Text]

CANBERRA.— The federal budget deficit is likely to blow out by \$800 million to almost \$5700 million, putting even greater pressure on the Federal Government's tough economic policy stance.

The \$800 million blowout, significantly more than was previously expected, was revealed in Finance Department figures released yesterday.

The Government is already under considerable pressure to cut spending to take the pressure off the dollar and allow interest rates to fall. It also hopes its spending cuts will reduce the demand for imports and improve the worsening trade deficit.

A spokesman for the Treasurer, Mr Keating, said last night the Government had known for several weeks that the deficit would be more than \$5.3 billion, compared to the \$4.9 billion deficit expected at the last budget, but said the outcome would not be known until the June figures were available.

The statement, on the Government's budget position in the 11 months to May, was released yesterday by the Finance Minister, Senator Walsh. Senator Walsh said changed economic conditions would add \$600 million to Government spending, and Government decisions would add another \$180 million, while revenue would be close to estimates.

The spokesman for the Treasurer said the blowout would put even more pressure on next year's budget. The Government already faces a severe headache in trying to keep the 1986-87 budget deficit under the \$5.5 billion target set by the economic trilogy promise.

The Opposition Leader, Mr Howard, said the figures were further evidence that the Government's economic strategy had disintegrated. "They show what a mammoth budget task the Government is facing," he said. "It is another example of the Government misleading the public."

The Finance Department statement said spending had been higher than expected largely because assumptions underlying the budget had not been met, particularly in the area of exchange rates, unemployment benefits and interest rates. This had added more than \$600 million to spending.

The spending jump was caused by:

- The fall in the dollar making imports by Government more expensive.
- The Government having to spend more than expected on unemployment benefits.
- High interest rates forcing the Government to pay more for its borrowings.

The statement said Government decisions — chiefly the decisions to compensate oil producers

for lower oil prices and to subsidise lending by savings banks — had added a further \$180 million to Government spending.

On the revenue side, it said the shortfall in collections from company tax, sales tax and the crude oil levy were expected to be fully offset by increases in revenue from other areas such as excises and customs duty, and from taxes on interest, rent and dividends.

Government receipts were expected to slow further this month, with the latest estimates showing that the growth in total receipts for the financial year would come in close to the 12.6 per cent estimated at budget time.

This means the budget blowout is almost entirely due to over-runs in Government spending.

The chief economist with the National Mutual Royal Bank, Dr John Marsden, said last night that he and most other private economists believed the economy would grow only by 2.5 per cent next financial year. He said that even though many economists mistrusted the recent national accounts figures, which showed no economic growth during the six months to March, it was highly unlikely eco-

nomic growth would pick up enough to meet Government expectations of three to 3.5 per cent growth for 1986-87.

He said slower economic growth meant the Government would receive less in taxes and have to pay out more in unemployment benefits, adding further pressure to the difficult budget task the Government is facing.

The Government's target for spending cuts earlier this year was \$1.4 billion, but events since will have pushed this target higher. In his address to the nation last week the Prime Minister, Mr Hawke, said the Government had identified \$1 billion in cuts, and Senator Walsh said later than \$200 million more had been found since.

Cuts to the states at last Friday's Premiers' conference have added about another \$450 million to the cuts.

In his address to the nation Mr Hawke said that the Government would give priority to "sustaining its welfare policies". He is believed to have assured the Social Security Minister, Mr Howe, that the welfare sector will not bear the brunt of the cuts.

/9317

CSO: 4200/1221

AUSTRALIA

FEDERAL TREASURER OUTLINES LONG-TERM ECONOMIC STRATEGY

Sydney THE AUSTRALIAN in English 21-22 Jun 86 p 21

["Exclusive" article by Paul Keating, Federal Treasurer: "Saving Australia"]

[Text]

AS the Prime Minister explained in his address to the nation last week, the most pressing economic challenge facing Australia today is that forced upon us by international circumstances.

In a nutshell, the prices we are paid for our exports have fallen dramatically with the result that as a nation we are spending much more abroad than we are earning. We must face up to this fact of life. We have no choice.

It will involve some tough decisions and some difficult adjustments as we strive to broaden and deepen our export and import competing base.

But the end result will be rewarding. We are embarking upon a process which will see a fundamental re-balancing of the Australian economy. It will emerge with a more sophisticated and modern structure, better able to fulfil the legitimate aspirations of ordinary Australians for economic growth and jobs.

But it is only through laying the foundations now for future economic growth that we hope to maintain and enhance the living standards which Australians desire. Equally, that is the only course by which we can hope to increase

the ability of government to assist those in the community most in need.

Adjusting the Australian economy to reduce its unsustainable balance-of-payments deficit requires us to continue the program we have followed in government to date of addressing the fundamental, underlying issues in economic policy-making.

For instance, while we have always understood there was a requirement for some public-sector stimulus to the economy to overcome the recession that gripped Australia when we first came to office, we also have recognised that public-sector deficits in this country were becoming unsustainably large. In our first Budget in 1983 we were confronted with the prospect of a massive fiscal imbalance — a prospective Commonwealth deficit of around 5 per cent of gross domestic product (GDP). In three years we have progressively reduced the Commonwealth deficit to less than half of that figure. To appreciate the significance of that achievement it is worthwhile to understand that during the same period the United States' Budget deficit has remained stuck at about 5 per cent of GDP.

Laying the foundations

At the same time we have redressed the chronic disruption to the profit and wage shares that was a legacy of the Fraser government. The profit share of GDP has been restored to its level of the late 1960s-early 1970s. Agreed wage restraint has reduced real unit labour costs sharply. It is this shift in the economic fundamentals that has underwritten the creation of more than 600,000 new jobs under the Hawke Government.

Some in the community seem to take this rate of employment growth for granted. However, you have only to think back to the period of late 1982, when unemployment had doubled to 700,000 in a year, corporate profits had been smashed and bankruptcies were rife, to understand the enormity of this achievement.

Underpinning Australia's economic recovery has been our accord with the ACTU. Again, this has brought about fundamental changes. The accord has succeeded in overcoming Australia's traditional chronic failure to sustain a growth cycle beyond a short period. It has provided a basis for a moderation in wages

growth that has resulted in hundreds of thousands of ordinary Australians gaining employment. Moreover, it has contributed to a dramatic decline in the level of industrial disputes to a 17-year low, and a consequent benefit to productivity.

More recently, the area of economic policy-making that the Government has concentrated upon is bringing about fundamental reform in the taxation system. Once again it was an area ignored by our predecessors, with the result that during their period of office tax avoidance was rampant and literally millions of ordinary Australians, forced to shoulder a greater share of the tax burden, were progressively pushed up into higher tax brackets. There is no greater indictment of the scandalous neglect practised by the Fraser-Howard administration than their failure, until dragged kicking and screaming by the Costigan and McCabe-Lafranchi reports, to do anything to arrest the explosion of the notorious bottom-of-the-harbour schemes.

In a sense, the aim of the reform package is to even out the playing field and allow all individuals and economic activities an equal go. It is only in this way that we can ensure that the most productive and efficient industries are nurtured, instead of stimulating industry on the basis of little more than an artificial tax break. At the present time, with the crucial necessity for Australian industry to adapt to changed international circumstances, it is even more essential than before that Australia's financial resources be used in the most efficient and effective manner possible. Tax reform assists that aim.

Yet another area where the Government has sought to bring about fundamental reform is the financial system. Again, the objective of our changes has been to enhance the efficiency of the economic system in order to lift its potential for growth and job creation. And yet again, while it was an area dabbled in by our predecessors, vested interest groups had prevented the coalition from making any substantial changes.

When we came to office we inherited a closeted and insular banking system.

The way to cure that was by competition, and so we have admitted to Australia a select group of the most high-quality banks in the world. These banks are now in the process of opening up their doors throughout Australia. And our banks have responded to the challenge — I have no doubt they are better, more efficient and are providing an improved service to their customers.

Once again, the whole purpose of these changes was to enhance Australia's prospects for economic growth. Instead of being limited by the old rationing devices, business — big and small — is now better able to gain access to the finance needed to develop and expand.

Of all the financial-sector reforms, the most fundamental we have undertaken was the decision in December 1983 to float the Australian dollar. It is a measure of the far-reaching and interlocking nature of the economic changes that it is this decision that will make a major contribution towards correcting the balance-of-payments deficit to which I referred earlier.

In the first instance, allowing the value of the dollar to be set in the market instead of having its value arbitrarily set by the Government of the day — or, more often than not, by the bureaucracy — has been a major benefit to our export and import competing industries.

Before, the coalition government had deliberately overvalued the exchange rate as a crude anti-inflation device. Since they had no workable incomes policy, they used the exchange rate as a device to moderate price rises in the cost of imported goods and exert downward pressure on the prices of domestically produced goods. But the cost of this policy was that horrendous cheap imports ripped to shreds a major part of our manufacturing sector while our primary exporters were robbed of billions of dollars of income.

The float of the Australian dollar has changed that. Governments can no longer resort to this crude policy. But,

unfortunately, the damage was done. The sacrifice of Australia's manufacturing sector in an unsuccessful attempt to reduce inflation is one of the main reasons why our economic base today is less diverse than it ought to be, and consequently we have been placed too much at the mercy of international commodity prices.

Secondly, the depreciation which followed the decision to float the Australian dollar is our chief weapon in turning the current account deficit around. The lower-valued dollar makes exporting more profitable, imports less attractive and the manufacture of products here in Australia more lucrative. In essence, the changed value of the dollar is a major force to re-balance our economy, shifting the emphasis away from traditional commodities subject to the vagaries of international price shifts on to a more balanced, sophisticated and modern basis. All these things contribute to reducing our international trading deficit.

Competition was the cure

There is plenty of evidence that the depreciation is working to bring about these changes. For instance, recent statistics show that while Australia's imports of consumption goods have fallen, imports of capital goods have risen. Such a response is typical of a country gearing up to take advantage of new market opportunities — both at home and abroad — generated by a currency depreciation.

Similarly, recent figures show that in volume terms (that is, ignoring price changes) there has been a 14 per cent increase in Australia's exports from the March quarter 1985 to the March quarter 1986, compared with an increase of only 1 per cent in the volume of imports over the same period. Again, this is firm evidence of the depreciation working to turn around the current account deficit.

But these positive developments have been overshadowed by the collapse in international commodity prices. This is a fact of life for which no one in Australia is to blame but which we can ignore only at our peril.

This fall in export prices means that the economy has moved to a position where we are spending a good deal more abroad than we are earning. That gap — our current account deficit — is being made up by borrowing to finance current living standards. But clearly we cannot go on running a current account deficit of \$14 billion indefinitely.

To look at it another way, the world purchasing power of the output of the Australian economy has fallen dramatically. According to the Bureau of Statistics, if the healthy 4 per cent economic growth rate we had in the 12 months to March is adjusted for this change in our international purchasing power, our economic growth rate would be cut to only 1 per cent.

Already this cut in our national income has been felt by some sections of the community, particularly exporters, such as our farmers and miners, plus other companies that deal in internationally traded goods.

Of course, the Government recognises that the burden of this adjustment must be shared by the whole community, rather than left to impact on a small group of producers and workers. And if we are to give time for the depreciation to work — and for our economy to re-structure in the way I described — we must ensure that our cost structure in Australia does not diminish our international competitiveness.

For these reasons we have in place a balanced and credible set of policy adjustments, and in adopting these policies to turn around the current account deficit we will also be directly attacking one of its major symptoms: the build-up in recent years of Australia's external debt.

We recognise that while earlier this financial year there was a role for monetary policy in moderating demand and, therefore, assisting in cutting

the level of imports, if the investment needed to bring about the economic changes required is to take place we must nurture a climate conducive to reducing interest-rate pressures. As a consequence, we have consciously sought ways of shifting the emphasis of policy on to other areas.

The first of these is Budget policy, where we have committed ourselves to continued expenditure restraint within the context of our historic trilogy of commitments on government spending, taxation and the Budget deficit. Already the Prime Minister has said our Expenditure Review Committee of Cabinet has identified spending cuts of \$1 billion, while at the Premiers' Conference on Friday of last week we sought and gained additional reductions of more than \$400 million in Commonwealth outlays to the States. Further, we have reduced the States' ability to borrow by about \$660 million.

Aside from our intention that these changes will assist in shifting away the emphasis from monetary policy, they have been undertaken because we recognise there are important direct and indirect linkages between public-sector spending and the balance-of-payments deficit. Reductions in public-sector spending will, as a result, make a direct contribution towards correcting our trade problem.

In this regard, I have noticed that there has been some commentary along the lines that the way in which we have constrained the States will impact more adversely on their capital spending rather than their consumption spending. Implicit in that argument is that all State capital spending is somehow of a productive nature — a debatable view given the over-indulgence in grand projects that occurred during the false resources boom of the Fraser era.

But more to the point, it ought to be remembered that the government borrowing program given by the Commonwealth to the States is, in fact, often used for recurrent (or consumption) purposes.

Hence, last week's Premiers' Conference should be seen as resulting in a clear reduction in payments to the States for recurrent, as well as capital, purposes.

Secondly, we have declared our intention of seeking further adjustments in wage rises. In addition to the 2 per cent discount currently being considered by the Conciliation and Arbitration Commission, Mr Hawke has signalled the Government's intention of seeking a further discount in the next national wage case. Further, we believe the 2.3 per cent wage rise expected to result from the current case should be the only wage rise this year. Finally, we believe that implementation of the current superannuation claim — already delayed and reduced from the original claim — should be as limited as possible in 1986.

At the same time we have recognised that in order to achieve a successful economic adjustment it is also essential that the business community make a significant contribution. Consequently, we have announced an enhanced role for the Prices Surveillance Authority, and the Prime Minister has called upon business executives to show similar restraint asked of their workers.

Of course, we understand that it is a difficult thing to ask the community for restraint. There is a brutal choice here — an equitable sharing of the income loss between job holders and the rest of the community, or the loss of jobs by some.

Together, our proposals will make a major contribution to enhancing Australia's competitiveness and reducing our inflation rate. The Government believes that with the successful implementation of the policy adjustments that it has now embarked upon — and general community support — Australia's inflation rate can be brought down within striking distance of the OECD average by the end of 1987.

In adopting this course we have rejected the option of seeking to correct the balance-

of-payments difficulties by throwing the economy into reverse. In some ways that would have been the easiest option and there is no doubt that it can work to reduce the current account deficit, as Mr Fraser and Mr Howard showed in 1982. But it would be at the cost of a big rise in unemployment and a smashing of business confidence.

We also reject the quaint notion that appears to be about in some quarters that the labour market can be controlled by a combination of a fairy wand and abuse of trade unionists.

This seems to be particularly prevalent among some of the organisations that have sprung up in recent times in an attempt to make up for the Liberal Party's failure to provide the Government with credible opposition. Their views are often accompanied by such intellectual inconsistencies as a call for a wages freeze while at the same time championing the virtues of a decentralised labour market. The reality is that the experience of the 1981-82 wages explosion should finally have proved to us all that the only effective way to secure decent wage outcomes in this country is through a process of discus-

sion, negotiation and by honestly explaining the economic circumstances to working Australians.

In a similar vein we reject the official Liberal Party's crackpot ideas that Australia should become a test-tube for radical experimentation with theories of decentralised labour markets. We've seen Margaret Thatcher's attempt at the same policy, which has given Britain 8 per cent wages growth and 14 per cent unemployment. The fact is we have to deal with the world as we find it, not how we might wish it to be after the five to 10-year "economic battleground" that Mr Howard has foreshadowed if his theories were to be tried out.

Further, we reject the unofficial Liberal Party view - the high Toryism, born-to-rule notions of the former prime minister, Mr Fraser. He seems to believe that as long as the decisions are made by people like himself, we can go back to the old days of fixing the price of the exchange rate and all sorts of other things. Mr Fraser had his go at operating economic policy - and we are still struggling with his legacy today.

/9317

CSO: 4200/1221

AUSTRALIA

EDITORIAL URGES INDUSTRY TO RESIST PROTECTIONISM

Melbourne THE AGE in English 20 Jun 86 p 11

[Editorial: "Hiding Behind Trade Barriers"]

[Text]

IN recent weeks, textile, footwear and clothing manufacturers, and some Government backbenchers, have begun campaigning for higher protection against imports. They have argued that at a time when unemployment remains high and we are importing more than is good for us, Australia ought to be shoring up, not tearing down the wall of tariffs and other trade barriers which shield so many of our manufacturers. Similarly dubious advice regularly flows from left-wing metal manufacturing unions, and the issue of industry policy and protection is tipped to be among the most volatile at the ALP national conference next month. The debate will undoubtedly focus on that most emotive of issues, employment, and many will maintain that less protection means fewer jobs and destruction of vital industries.

It is important that the primitive economic thinking of the protection lobby is rejected and that the Government continues to open the door, albeit gradually, to imports. The equating of jobs and, implicitly, living standards with protection against imports is simplistic and dangerous. There are good reasons why Australia should be removing trade barriers. They include the need to move away from straight import substitution to fostering industries which can compete on export markets. Those who doubted the need for such change — which this newspaper has been proposing for years — need

look no further than last month's trade figures. They show starkly that Australia has become a raw material exporter and high technology importer. Lowering tariffs can also help open new trade markets. It can reduce domestic prices, channel entrepreneurial activity into the production of goods and services which can compete on world and local markets, and produce a more efficient allocation of resources. Protection has encouraged the growth of import competing industries, penalised other sectors and individuals who have had to pay the higher price of protected goods, and badly distorted the effect of market forces.

The Economic Planning Advisory Council this month estimated that the effective rate of assistance to the textile industry had grown from 47 per cent to 54 per cent between 1977-78 and 1982-83. For clothing and footwear, the rate had jumped from 141 per cent to 220 per cent over the same period. Mr Hawke's pledge to continue tariff reductions on textiles, clothing and footwear is welcome news and the EPAC estimates reinforce his stance. It is not enough for the supporters of import protection to hide behind patriotic slogans and hollow claims of concern for the unemployed. They must accept that the economic health of the nation and the changing nature of world trade demand that the protection wall be lowered.

/9317

CSO: 4200/1221

AUSTRALIA

WA PREMIER'S ECONOMIC MEASURES ANALYZED, LAUDED

Sydney THE AUSTRALIAN in English 25 Jun 86 p 12

[Editorial: "Burke's Remedy for Our Economic Crisis"]

[Text]

THE dramatic economic measures announced by the Premier of Western Australia, Mr Burke, yesterday are a welcome sign that at least one government in Australia has grasped the nature of the economic problems facing the nation and is prepared to do something realistic and significant about them.

Mr Burke has shown a willingness to bite the bullet on government expenditure, perhaps the most intractable element of the continuing economic malaise which confronts our country.

The economic measures he announced are designed to cut about \$300 million from State expenditures. However, the nature of the measures he has undertaken demonstrates that he understands that expenditure restraint needs to be a long-term priority for all levels of government.

It is impossible to argue with Mr Burke's assessment of the budgetary crisis which he, the other premiers and the Prime Minister face.

In his accompanying statement Mr Burke puts the crisis in stark terms: "In the public sector both here and across Australia the challenge of structural change is to wind back expectations and demands to a level

more consistent with the resources that government can reasonably expect to take from the community."

As Mr Hawke's recent statement to the nation served to emphasise, all levels of Australian society need to exercise restraint if we are to regain our position as a competitive trading nation and preserve the high level of living standards which we have come to expect. There needs to be much greater wage restraint on the part of employees, a new commitment to investment and excellence from business, and expenditure restraint from governments.

Mr Burke has taken a courageous lead in exercising real expenditure restraint. Australia has been paying itself too much in recent years, living beyond its means, and as Mr Burke commented "a day of reckoning must come eventually".

Of particular interest are Mr Burke's measures concerning government employees. He has decided to shed 3000 government jobs over a full year. Moreover, he has demonstrated a commitment to abolishing some of the inefficient work practices which have grown up in easier times but which are inappropriate today. Thus, he has

ended flexi-time, pending a review. He has decided that entry to the State superannuation scheme will be closed on June 30 and that while existing entitlements will be protected, new employees will come under a reformed superannuation scheme. He has foreshadowed long-service leave entitlement changes and committed his Government to refusing to enter into any agreements involving further reductions in hours worked.

All of these measures demonstrate a desire to make long-term, structural changes to better equip Western Australia for coping with the difficult times ahead. Mr Burke's courageous program should serve as a model for other Australian governments to examine most closely.

/9317

CSO: 4200/1221

AUSTRALIA

COAL CANCELLATION CUTS EXPORTS TO ISRAEL BY 66 PERCENT

Sydney THE AUSTRALIAN in English 25 Jun 86 p 1

[Article by Douglas Davis]

[Text]

A SHOWDOWN is developing between Jerusalem and Canberra over an Israeli decision to cancel a long-term coal contract, which effectively wipes out two-thirds of Australia's exports to Israel.

The coal was used to fire Israel's Hadera Power Station, but an official at the Israeli Energy Ministry last night said reduced oil prices had made it more attractive to burn oil.

The Australian commercial counsellor, Mr Bruce Lindenmayer, said in Tel Aviv yesterday the decision to cancel the contract, worth \$US29 million (\$42 million) a year, represented the most serious trade disagreement between the two countries since Israel was established in 1948.

"It has many serious implications and we find it very disturbing," he said.

Mr Lindenmayer said Australian coal was of a high quality and competitive in price.

If the coal was proving too expensive, it was because Is-

rael was paying too much for transport.

The Australian Ambassador to Israel, Dr Robert Merrillees, said yesterday he was "shocked and amazed".

The Embassy had received no warning that the contract was being abrogated and had learned of it through a telephone call from the Energy Ministry in Jerusalem.

"Since then, we've had nothing in writing, although we know that the directive to halt the purchase of our coal has been issued," Mr Merrillees said.

He said an immediate effect on Israeli exports to Australia was unlikely, but long-term trade could be damaged.

"We may have to reconsider Israel's status as a developing nation whose goods are given favourable treatment in Australia," Mr Merrillees said.

The director-general of Israel's Energy Ministry, Mr Natan Arad, said every effort would be made to maintain good relations with Australia.

/9317

CSO: 4200/1221

PHILIPPINES

OPLER WRITES ABOUT GOOD GOVERNMENT COMMISSION

HK030731 Manila THE MANILA EVENING POST in English 1 Jul 86 pp 1, 3

["Exclusive to THE MANILA EVENING POST"--"Forum" by Blas F. Opler,
Constitutional Commission member: "The PCGG: A Modern Quandary of Means and
Ends"]

[Text] It is when moral certainty waxes strongest and piety is at its most self-righteous that we are warned to be on guard: that is the time when the distinction between ends and means is most likely to blur; the point when the ends will justify the means.

This is what I thought when I listened to the chairman of the Presidential Good Government Commission [PCGG], Hon Jovito Salonga, testify before the Committee on Amendments and Transitory Provisions of the Constitutional Commission. Reading from a prepared text, he fairly spewed fire and brimstone about the Marcos crime, and sounded as though the critics of the PCGG were fit for immediate burning. Towards the preroration, the PCGG had started to sprout wings as both the avenging angel and the angel of mercy.

But all that was by way of laying the basis for his argument: the resolution filed by the opposition ending the sequestration powers of the PCGG and reverting (vesting is more accurate, says Mr Salonga) these to the courts was misconceived and ill-founded. These powers are not extraordinary and need not be inconsistent with a new Constitution. The immunities that shield PCGG people from civil suits and legislative, judicial, and administrative inquiries conserve the energies that otherwise would be lost to the search for hidden wealth and the retribution towards the guilty.

He said any emasculation of these powers through a transitory provision would send the wrong signals to cooperating governments abroad that President Aquino's ardor for reforms was declining. It could be discomfitting for illustrious lawyers that had been engaged to help the PCGG press its crusade in the United States and Europe. If the powers got vested in the courts, since there were so many of them throughout the country, the uniform standard worked out by the PCGG in dealing with ill-gotten wealth cases could be shredded.

The PCGG had been extremely circumspect, moreover, in the use of its powers, always seeking to attain a quantum of proof equivalent to a prima facie finding or a probable cause, before issuing orders to sequester. It does not disregard due process. It has not sent a single person to jail; it does not violate the liberty of abode and travel guaranteed in the bill of rights; it does not proceed against political opponents as such.

Its immunities do not preclude judicial review of its acts, as witness the cases brought against the commission before the Supreme Court. The high court has so far sustained the PCGG's acts by the constitutional test. The PCGG's orders of sequestration and freezing of assets are not final; at the proper time they will be brought to the Tanod-Bayan and the Sandiganbayan, whose own decisions can be reviewed by the Supreme Court. These orders are in the nature of precautions owed the state so that if proven in court to belong to Marcos, his family, his cronies, nominees, and agents they will be forfeited in favor of the government.

Neither is the PCGG interested in acquiring the powers of management over sequestered firms, says Mr Salonga. He points out that in San Miguel Corp., having acquired the majority shares, the government has magnanimously allowed the Sorianos to stay on as the management.

Mr Salonga, who came with Commissioner Raul Daza, impressed the commission with his sincerity and ardor together with the more impressionable crowd of students that witnessed the hearing. He was much less successful in reconciling his means with his ends. He failed to persuade the Con-Com members that the powers of sequestration were not extraordinary in character, that these can be fully consistent with the return of full constitutional government. His examples of analogous powers in the United States and Switzerland were revealed, under questioning, to be exceptional and applied only to foreign governments or leaders as a departure from the policy applied to their own nations. His generalization about customs laws conferring seizure powers, as a matter of course, as the basis of the powers of sequestration fell flat.

It now appears that Mr Salonga, at the very moment he was testifying before a committee of the Constitutional Commission, was aware of a new memorandum of President Aquino vesting more powers in the PCGG. Specifically, this was the power to vote all sequestered shares in an estimated 180 companies, including the flagship corporations of the economy such as San Miguel and the United Coconut Bank. The determination of true ownership by the courts, stated by Mr Salonga as a strong legitimizing point to the powers of temporary disposition of assets by the PCGG, is now reduced to the level of a formal argument. This has made court intervention, for all purposes, academic, and superfluous.

Efficiency and civil liberties are seldom complementary. Tomas de Torquemada hung up a record of investigative efficiency when he burned 2,000 of his countrymen at the stakes for heresy. Granted that the mission of the PCGG is far nobler and more salutary than that of its predecessor in 16th century

Spain, the problem of moral certainty and self-righteous piety is how to reconcile the means with the ends.

I can only sympathize with the good people of the PCGG for having to endure this endless dilemma.

/9599

CSO: 4200/1195

PHILIPPINES

COLUMNIST ON CRITICAL PERIOD FOR AQUINO GOVERNMENT

HK031030 Manila THE MANILA CHRONICLE in English 1 Jul 86 p 6

["Analysis" column by Amando Doronila: "Next 6 Months Crucial to Aquino Survival"]

[Text] The next 6 months will be crucial to the survival of the coalition government of President Aquino. The president's timetable is to establish the legal foundation of her democratic system around the end of the year. There is, within this time frame, a hectic, though subtle, race between her and forces determined to unhinge her government.

At stake in this race is her government's legal legitimacy--which is its main flaw. If this legitimacy is not established within the timetable, she will be in for a lot of problems not only from the loyalists but more so from members of her coalition.

Legitimation is the key to understanding the president's apparent tentativeness in dealing with those who are trying to destabilize her government. Lack of legitimacy doomed the Marcos government and paved the way for the military defections after the 22 February revolt. Mrs Aquino is well aware of this. She knows that she has de facto legitimacy, whose source is the people power that toppled Mr Marcos. But she is also aware that if she does not institutionalize her claim to office through the Constitution, the revolution and what it stood for would be lost.

And yet, the government is under powerful pressure to perform miracles within a short time.

She is expected to secure significant foreign aid to restart the engines of economic recovery, restore peace in the countryside through a policy of attraction with the Communist-led insurgents, pacify the warlords, hold a referendum to ratify the new constitution and immediately after that call local and parliamentary elections to put democratic institutions in place.

These demands on a cabinet whose members are fundamentally split over approach to these problems are unforgiving and cannot wait for time. On any of these issues, the government can stumble. For example, the handling of the cease-fire negotiations with the insurgents could easily flare up into a cabinet

crisis. The cabinet is ideologically split over it and the loyalists have not missed the opportunity to try to fan anti-Communist hysteria over the government's campaign to buy time for internal tranquility so she can launch her rural-based economic recovery program.

Mrs Aquino apparently is holding her punches in dealing with the loyalists and dissident members of her cabinet, notably her defense minister, Mr Enrile, until she has established her constitutional legitimacy.

Her detractors are using this legal defect to challenge her authority, and correcting this defect is vitally important to her for several reasons. Legal legitimacy will rob the loyalists of an issue around which they could mobilize camp followers. But more importantly, legal legitimacy will strengthen Mrs Aquino's hands in aligning the armed forces behind her government.

The armed forces are traditionally oriented towards the concept of loyalty to a constitutional mandated chief of state. Once the new constitution confirms her mandate, there would be fewer doubts within the armed forces about the focus of their loyalty. One cannot discount the existence within the armed forces of Marcos loyalists who are ready to use her lack of constitutional mandate to stir up internal military dissension.

It would seem that what is holding back Mrs Aquino from having a showdown with Mr Enrile, despite provocations from him, is that she is waiting for her constitutional foundation to be in place. When this happens, her legal flanks will be amply protected, and anyone who challenges her authority could easily be identified and isolated as an enemy of the state.

It would be too naive to think that Mr Enrile and the loyalists are not aware of this. Given that assumption, one begins to see the light why Mr Enrile is keeping his options open in highlighting his policy disputes with the president or why the loyalists are stepping up their campaign to unsettle the government.

The international community, on which this government is extremely dependent for economic recovery resources, is very sensitive to reports of disturbances in this country in their assessment of availability of assistance. The government's capacity to turn the economy around and create jobs is tied to foreign assistance.

In the face of these conflicting pressures, the government has to hold--that is, it is trying to avoid a cabinet crisis until the constitution is in place. But will events permit her?

/9599

CSO: 4200/1195

PHILIPPINES

SOLICITOR GENERAL PRODUCES EVIDENCE OF MARCOS GRAFT

HK030119 Quezon City BUSINESS DAY in English 2 Jul 86 p 24

[Article by Gerry N. Zaragoza]

[Text] The Office of the Solicitor General [OSG] started yesterday producing evidence to substantiate graft charges against former President Ferdinand Marcos and 28 of his relatives, subordinates, and close associates in connection with the alleged ill-gotten wealth.

OSG submitted to the Presidential Commission on Good Government [PCGG] a batch of documents. Among these are the income tax returns of Marcos for 1960, 1961, and 1966, a report of Marcos' salaries as president and Mrs Imelda Marcos' salaries as minister of human settlements, a sworn statement of Jose Y. Campos detailing the assets and properties he had held on behalf of Marcos, and a sworn statement by PCGG's New York representative listing 11 buildings allegedly acquired by Marcos in New York.

Solicitor General Sedfrey Ordonez last April 7 filed the graft charges against Marcos and the 28 others for allegedly violating the anti-graft and corrupt practices act by illegally acquiring wealth valued at no less than \$5 billion.

The acquisition of assets, Ordonez said, had resulted in their "unjust enrichment and the acquisition and accumulation of unexplained wealth."

After PCGG decided to take up the charges filed by the OSG, it required Ordonez to substantiate the charges first by the end of May. The deadline was later moved to the end of June after OSG sought an extension.

Presenting the income tax returns and authorized salaries of Marcos, OSG tried to show that based on his income, the former president could not have acquired the vast assets he is now believed to be holding.

For 1960, documents show that Marcos had a gross income of P33,917.93 and a net income of P9,975. The amount of tax he paid was P178.52.

For 1961, the former president declared a gross income of P118,777.23 and a net income of P76,853.20. He paid an income tax of P23,072.07.

Attached to his income tax return for 1966 was a balance sheet as of December 31, 1961 which showed that Marcos had assets valued at P40,000 and capital of P40,000.

Marcos' income tax return for 1966 shows he had gross income of P266,907.23 and a net income of P249,075.15. The amount of tax he paid was P70,171.

OSG also submitted to PCGG a report by Budget Minister Alberto Romulo showing that from the time Marcos became president in early 1966 up to last February's revolution, Marcos' authorized salaries would amount to only P1.57 million.

On the other hand, the same report said that Mrs Marcos as human settlements minister from June 1976 up to last February was entitled to authorized salaries of P718,750.

In Campos' sworn statement, the former associate of Marcos disclosed that he had held in trust 28 corporations on behalf of Marcos, including the Performance Investment Corp., the Mid-Pasig Land Development Corp., Anchor Estate Inc., Independent Realty Corp., and the Chemfields Inc.

In his sworn statement, PCGG's New York executive director Bonifacio Gillego said based on documents turned over to the Philippine government by the U.S. State Department and those left in Malacanang when Marcos and his family fled to Hawaii, the former president and his cronies acquired assets and properties, including real estate, cash and bank accounts.

Gillego added that among them were 11 buildings in New York, including the Crown Building and the Herald Center.

/9599

CSO: 4200/1195

PHILIPPINES

COMMISSION DENIES REQUEST ON MARCOS RETURN

HK050222 Quezon City BUSINESS DAY in English 4 Jul 86 p 12

[Article by Gerry N. Zaragoza]

[Text] The Vasquez Commission yesterday doused cold water on the possible return of former President Ferdinand Marcos to the country.

The Supreme Court-created commission denied a request to arrange for the return of the former president to testify on charges of collusion, pressure, and repression of evidence in the Aquino assassination trial.

The three-man commission said for them to ask the Aquino government to allow Marcos to return to testify would be preempting the national leadership to decide the issue of his return.

"The matter of allowing the former president to return to the Philippines for any purpose whatsoever under the prevailing circumstances has not been resolved with certitude the finality by the national leadership," the commission noted in a two-page resolution.

The ruling of the commission headed by retired Supreme Court Justice Conrado M. Vasquez, was in answer to an earlier motion by lawyer Antonio Coronel.

Coronel asked the commission to make representations with the national leadership to allow Marcos to come back from Hawaii so that he could testify and refute allegations implicating him in an alleged plot to whitewash the Aquino case.

Coronel is the counsel for former Armed Forces Chief of Staff Gen Fabian Ver, who was charged as an accessory in the assassination of former Senator Benigno S. Aquino Jr. Ver was acquitted along with his 25 co-accused at a Sandiganbayan trial last year.

Ver's counsel expressed his intent to present Marcos as witness to refute allegation of Deputy Tanodbayan Manuel Herrera, head of the five-man special panel that prosecuted the Aquino case.

Herrera testified before the commission that the former president instructed the prosecutors and the judges to conduct a sham trial that will lead to the acquittal of all the accused.

Before the commission ruled on Coronel's motion, the lawyers of petitioners seeking a mistrial ruling from the high court over the Aquino case expressed opposition to Marcos' return.

Lawyers Lupino Lazaro and Arturo de Castro cautioned the commission against interfering in the issue of Marcos' return. They said it is a "highly and purely political question."

In its resolution, the commission which was tasked by the Supreme Court to inquire into the collusion charges, did not determine whether it was absolutely necessary for Marcos to testify before its inquiry.

But the commission said other witnesses may be presented to refute Herrera's allegation. In which case, the commission added, it would be "presumptuous and inofficious" to rule in favor of arranging for Marcos' return.

Making representations with the national leadership for Marcos' return would mean assuming it had already decided the "question of policy to allow Marcos to come back," the commission said.

Meanwhile, at yesterday's hearing of the commission, witness Rebecca Quijano's failure to appear drew moans of disappointments from observers and newsmen who came to hear her testimony.

"We have been expecting her since Monday," an equally disappointed Vasquez said.

Quijano, who had earned the name of "crying lady" was set to testify on the so-called note-passing incident and the alleged pressures to prevent her from testifying at the Aquino trial.

But her counsel, Clarence Guerrero, told the commission that she has been ill and her condition has not improved since early this week.

Quijano's testimony was reset for next Monday. But petitioner's lawyer de Castro said if she fails to testify by then, the petitioners would dispense with her and terminate presentation of evidence.

This means it will be the turn of respondents to present counter-evidence.

/9599

CSO: 4200/1195

PHILIPPINES

LOCAL GOVERNMENT OFFICIALS' TERMS EXPIRE

HK021011 Manila MANILA BULLETIN in English 1 Jul 86 pp 1, 12

[Article by Rey G. Panaligan]

[Text] About 10,000 elective and appointive members of sangguniang bayan [town boards], sangguniang panglungsod [city boards], and sangguniang panglalawigan [provincial boards], and some 294,000 barangay captains and councilmen can now be replaced either by designations or appointments, Justice Minister Neptali A. Gonzales ruled yesterday.

The power of appointment or designation lies with Local Government Minister Aquilino Pimentel Jr. as alter ego of President Aquino, Gonzales said.

Under the Local Government Code (Batas Pambansa Blg. 337), the terms of office of local government officials commenced on the first Monday of March 1980, and ended on March 28, 1986.

The period was extended to June 30, 1986 by the Omnibus Election Code of 1985 (BP 881).

Gonzales said that when President Aquino took over, she issued Proclamation No 3 which provides that "all elective and appointive officials and employees under the 1973 Constitution shall continue in office until otherwise provided by proclamation or executive order or upon the designation or appointment and qualification of their successors, if such appointment is made within a period of 1 year from February 15, 1986."

The elective and appointive local government officials assumed office under the 1973 Constitution and are covered by the provision of Proclamation No 3, Gonzales said.

"Thus," he said, "the local officials can be replaced either by designation or appointment."

Even barangay officials are covered by Proclamation No 3, Gonzales added.

The power of the Ministry of Local Government [MLG] to replace elective or appointive officials had been upheld by the Supreme Court, Gonzales said.

There are 1,523 towns, 60 cities, 74 provinces, and two subprovinces in the country.

Municipal and city governments have an average of six members of the sanggunian. Provinces have four each.

There are 42,000 barangays with seven officials each [words indistinct] to members of the council.

Barangay secretaries and treasurers are appointed by their respective captains.

Only members of the sanggunian in cities, towns, and provinces get regular salaries.

Local Government Minister Aquilino Q. Pimentel, Jr. directed Deputy Minister Ciriaco Alfelor yesterday to investigate immediately the alleged P200,000 bribery by an Ilocos Sur officer-in-charge [OIC] and report his findings within 72 hours.

The report said the bribe money was allegedly given to "some influential people in the MLG in consideration for the appointment of OIC in Candon, Ilocos Sur."

Deputy Minister Douglas Ra. Cagas, who was mentioned in the report, said the investigation ordered earlier by the MLG was designed to get to the truth no matter who gets hurt.

Cagas noted that the report had quoted a letter from one Eduardo Ma. Guirnaldo, another aspirant for the questioned OIC post, alleging that the designation of OIC Antonio Abaya was issued reportedly because of monetary consideration.

In a related development, the MLG clarified published reports that it has appointed two OIC's for Naic, Cavite.

Cagas said he never appointed or designated Dr. Cesar Unas as OIC of that town. It was Eduardo Echauz who was appointed and there could be no appointment of two OIC's since that would create problems and tension among local residents, he added.

Cagas said Echauz's appointment was decided on the basis of endorsements received from local and national leaders.

Meanwhile, Pimentel exhorted newly designated OIC's to initiate and implement income generating community projects even as he assured them of material support.

He reported that the 76 provinces and subprovinces, 60 cities, and 1,530 municipalities registered a total income of P8.2 billion last fiscal year, of which P8.1 billion was spent for various projects and activities.

"There was not much in terms of savings--only P121 million--last year, but somehow local governments have shown substantial income," he said.

According to him, more income can be expected under the new government and more projects undertaken with more prudent and proper use of local funds and resources.

/9599

CSO: 4200/1195

PHILIPPINES

COLUMNIST ON MILITARY'S POWER OVER CIVILIANS

HK031058 Manila THE MANILA CHRONICLE in English 2 Jul 86 p 4

["Analysis" column by Amando Doronila: "The Military Exercises Extra-Legal Veto Power"]

[Text] Whether we like it or not, the military today exercises extraconstitutional veto power over civilian authority. Never in the post-war history of this country has the military been so powerful as a pressure group as it is today, and I am not excluding the Marcos period.

Not only is the defense minister, Mr Enrile, challenging the key policy positions of the Aquino government of which he is a part, certain factions within the military, notably the Reformed [as published] Armed Forces Movement (RAM), have been issuing critical statements about the way the government is handling the insurgency problem, the human rights issue, and reforms within the military establishment itself, instead of keeping their views to themselves.

The president had her way in releasing most of the political detainees and in pushing her campaign to seek a cease-fire with the Communist insurgents, but she had to overcome strong resistance from the military. Even after her cabinet had decided to go ahead with the peace talks, she continues to be on guard against rejecting entirely the military point of view on the cease-fire.

She has adopted the position of the armed forces chief of staff, General Ramos, that there should be no pull back of troops, to the barracks during talks with the insurgents. She is the commander-in-chief of the armed forces, and theoretically, they should follow her orders, but she has not exercised the prerogative to order Mr Enrile and the RAM to shut up.

These incidents illustrate the erosion of civilian authority in relation to the military since the declaration of martial law in 1972. Although former President Marcos had always claimed that even under martial law civilian authority was supreme over the military, his dependence on the AFP [Armed Forces of the Philippines] enforce his political decisions and to coerce the population constrained him from imposing discipline.

He politicized the military by giving it jobs normally done by the civil officials. During the early days of martial law he permitted military officers to perform functions of elected officials and congressmen. As a trade-off for military support, Mr Marcos closed his eyes to military abuses and corruption, thus abdicating complete control.

The democratic opening made by the Aquino government is only part of the explanation why the military is so outspoken and sometimes so threatening in its relationship with civilian authority. The more important explanation is that the balance of power between the presidency and the military has been disturbed by several factors.

One significant factor is the Enrile-Ramos rebellion last February which acted as the catalyst of the popular revolution. Their role in precipitating military defections from the former president has made them believe that the military had won the right to wield veto power against president policy they do not agree with.

In a truly democratic order, a military veto is unacceptable. But the political reality is that the military is exercising possibly as much influence and power as a parliament or the judiciary. With the legislature disbanded, there is no parliamentary check against the executive.

The Central Bank governor, Mr Fernandez, is said to have remarked that the cabinet now functions as parliament, pending a new constitution. As a consequence, according to him, we must not interpret the squabbling within the cabinet as a sign that the government cannot get its act together, since the cabinet is serving as the forum of democratic debate. Fair enough, but there is actually no legal institution that is performing an adversarial role except the military. Some of its leaders are trying, with implicit threats of a coup, to influence decision on matters of security.

In other words, what I am saying is that in the absence of strong democratic institutions which are still being put in place, we will continue to have a military that is not completely subordinate to the civilian leadership. The tradition of civilian supremacy has been rendered meaningless by the change of balance of power over the past 14 years.

Even if the new constitution will reiterate this concept of civilian supremacy, it will take time before the military will again be put back to its subordinate position. It will require also a strong leadership to rehabilitate the authority of civilians over the military.

/9599
CSO: 4200/1195

PHILIPPINES

GRAFT, SMUGGLING REPORTED IN CUSTOMS BUREAU

HK030727 Quezon City BUSINESS DAY in English 2 Jul 86 p 2

[Text] Technical smuggling goes on unabated and in recent months has actually escalated, threatening the viability of domestic industries, particularly those that will be affected by the government program to deregulate importation by the end of this year, sources said.

At the same time, sources told BUSINESS DAY yesterday that the Bureau of Customs has "remained graft-ridden" despite efforts of Commissioner Wigberto Tanada to clean up the agency. "All that has been done is to change officials but the underlings continue their merry way," an importer said.

The continued technical smuggling, sources said, has not only adversely affected domestic producers, it has also robbed the government of substantial revenue. "Instead of paying under the table, we want to pay the government the taxes due it. But unless we pay under the table, some of our imports will be delayed," sources said.

An importer singled out a broker operating within the customs bureau who has reportedly cornered the bulk of selected imports coming into the country. It was reported that this broker, by virtue of his connections developed over a long period, is able to act as an intermediary in "smoothing out" valuation problems.

"We pay from 20 percent to 25 percent of the import cost to these people just so they would not make it difficult for us," sources explained, adding that they have kept mum on the matter all these years because "our future shipments might be affected."

Sources said importers have already informed Trade and Industry Minister Jose S. Concepcion, Jr. of the anomalous activities in the customs bureau. Concepcion asked these importers to submit evidence to help him and Tanada clean up the bureau.

In their meeting yesterday, Concepcion said he intends to meet with 60 big importers of spare parts within the next 2 weeks to discuss ways to stop technical smuggling. Concepcion said these big importers account for about 70 percent of the country's total imports of spare parts.

Concepcion called the meeting yesterday even as he turned down the request of spare parts importers to remove from the Board of Investments (BOI) the power to review applications to import spare parts.

Spare parts importers noted that one of the reasons why prices of spare parts are high is government red tape. They cited that other than the BOI there is the bank examiner, the Central Bank, the customs bureau, and the Philippine Chamber of Commerce and Industry (PCCI) that checks on their imports.

Concepcion however insisted on the need for BOI regulations, noting that he wants to know who is importing the spare parts, the quantities imported and the prices. He said he is "very, very tired" of hearing reports about misdeclarations, undervaluations, and other forms of technical smuggling.

The extent of technical smuggling in the spare parts trade can be gauged from the fact that imports of spare parts reached some \$173 million in 1982 but then went down to \$39 million in 1984. The drop, sources said, was due to technical smuggling.

Spare parts imports yesterday also said the government decision to lower the sales tax on spare parts is not expected to translate into any real net gains for jeepney drivers and operators. They said there is a need to streamline government regulations that tend to add to the cost of their operations.

In particular, they pointed to the government's continued insistence on protecting a diesel engine manufacturing program that is no longer operating. They said deregulating diesel engine imports of 150 horsepower and below could result in as much as a 50 percent reduction in prices.

/9599

CSO: 4200/1195

PHILIPPINES

GOVERNMENT AGREES TO LIFT ALL IMPORT RESTRICTIONS

HK300832 Quezon City BUSINESS DAY in English 27 Jun 86 p 2

[Article by Daniel C. Yu]

[Text] The government has finally succumbed to increasing pressure from the International Monetary Fund (IMF) and the World Bank and has agreed to remove all quantitative restrictions on imports before the last quarter of this year.

With already some 580 items deregulated in two batches in the last few months, the Monetary Board of the Central Bank is expected to approve today the deregulation of an additional 222 products.

Among the items to be deregulated are food, jewelry, ceramics, plastics, toys, raw materials, and some intermediate goods. In addition, another batch of items currently paying high tariff rates will be deregulated during this phase of the import liberalization program.

The last batch of 280 items, consisting of the most sensitive imports which are likely to cause the most severe impact on domestic industries, will be liberalized by the last quarter this year, sources in industry said.

Businessmen interviewed by BUSINESS DAY yesterday greeted the news with consternation, warning that the government's decision to comply with the IMF and World Bank dictate could spell the end of many domestic industries.

"We will witness the collapse of many industries and the effect will be almost immediate, perhaps within 6 months to 1 year," Ceferino L. Follusco, vice-president of the Philippine Chamber of Commerce and Industry (PCCI), said yesterday.

"The government does not seem to appreciate the sincerity with which business had tried to liberalize as many items as possible at this time. The collapse of domestic industries will certainly be felt immediately," Raul T. Concepcion, chairman of Concepcion Industries Inc., added.

The government will submit to the IMF by the middle of next month a final timetable for the implementation of the liberalization program. This will

be just before the government starts talks with Fund officials on the country's debts.

The import liberalization program, strongly opposed by business and industry during the last 3 crisis-ridden years was supported by at least two cabinet ministers, Economic Planning Minister Solita Monsod and Finance Minister Jaime Ongpin, which explains why the program was quickly implemented.

Trade and Industry Minister Jose S. Concepcion Jr., who was earlier battling for a staggered implementation of the program, said that for the last batch, consisting of the most sensitive items, the IMF has agreed to a temporary increase in existing tariffs.

He said the IMF has agreed that tariff levels could be adjusted upward by as much as 20 percent but the effective tariff protection on landed cost should not exceed 30 percent.

He said the government is now conferring with the private sector regarding the levels of tariff adjustments for these sensitive imports prior to their deregulation later this year. With the deregulation, importers can bring in as much of the items as possible so long as they pay the higher tariffs.

The temporary upward adjustment of tariff levels however will have to be phased out over a 5-year period, Concepcion said. Such an arrangement would hopefully allow local industries to adjust to foreign competition.

Concepcion's brother Raul however described the "supposed concession" of the government as likely to create an even bigger problem since any adjustment would directly undermine the rationale of the existing tariff structure.

"All these products are interdependent, such that adjustments in the tariff of a raw material will affect the intermediate goods and the final products within a product line," he explained.

Raul Concepcion said the adjustments in tariff will create distortions within the tariff system, resulting in other industries lobbying for increased protection and throwing off the entire structure that can become a major government problem later.

Other businessmen interviewed noted that the continued "blatant smuggling, both physical and technical" will exert very strong pressures that could force the closure of many domestic companies.

"They (the government) could not control smuggling and how they are liberalizing imports," one businessman said regarding the government plan. "We will just have to close shop, lay off workers and just be traders."

Minister Concepcion said the government has already created a task force which will go after smugglers and those who bring in imports without paying the

proper taxes. "We will really go after these people to, once and for all, stop smuggling," he said.

Task force chairman Lilia B. de Lima, who met yesterday with the group which will come up with the implementing guidelines, in a separate talk, said the guidelines will come out next week and will be implemented the following week as soon as Concepcion approves them.

With the giving in by the Aquino government to the IMF, some businessmen doubt that the government can negotiate any real favorable terms from the Fund or the World Bank.

"We are no better off today compared to where we were a year ago," one businessman noted. "The fact is the country is not moving at all economically."

/9599

CSO: 4200/1195

PHILIPPINES

GOVERNMENT TO RETALIATE AGAINST IMPORT CONTROLS

HK300836 Manila THE MANILA TIMES in English 27 Jun 86 p 20

[Text] Trade and Industry Minister Jose S. Concepcion, Jr. yesterday said that the government is ready to retaliate against countries that will control imports from the Philippines.

Concepcion, who just arrived from the United States yesterday told the press the government is negotiating with the International Monetary Fund (IMF) for 2-year deferrment of the import liberalization program covering over 600 items.

He also said the government will impose an automatic import freeze once imports go beyond normal levels.

The trade minister said that the Bureau of Domestic Trade has been assigned the duty to monitor imports so that dumping can be immediately checked.

Concepcion also said the government is asking the United States for more access to American market for such products as sugar, garments, and electronics.

He said U.S. officials have expressed willingness to grant the Philippines more access to U.S. market.

During his 10-day visit in the United States, Concepcion had a round of discussions concerning trade between the U.S. and the Philippines. He said he had discussed with Under-Secretary of State Michael Armacost the problems facing the Philippines this year and next.

He pointed out that the Philippines is capable of supplying the requirements of the U.S. Defense Department for electronic equipment and accessories.

Concepcion said the U.S. Government's budget for electronic supply is about \$17 billion, which goes only to Israel and Egypt.

He also said U.S. total yearly imports are in the range of \$350 billion, the Philippines' share in the U.S. import is only one-half of 1 percent, Concepcion pointed out.

Concepcion also said he proposed to the U.S. Government to increase its sugar imports from the Philippines up to 25 percent of the U.S. total sugar imports. The present U.S. sugar quota given to the Philippines is only at 13.5 percent of the total sugar imports of United States.

Concepcion also urged the local shoe and ceramic industries to be export-oriented. He said the U.S. shoe imports amount to \$6 billion a year. Of this amount, only about \$10 is allotted to the Philippines. The U.S. also imports yearly some \$5 billion worth of ceramics. The Philippines' share in the U.S. imports of ceramics is only \$8 million. [Paragraph as received]

With the USRP bilateral textile agreement due to expire August this year, Concepcion said the government should get ready with the renegotiation of this agreement. He said he would try to get a better deal out of this agreement.

Concepcion is optimistic about the doubling of the Philippines' share in the U.S. imports for textile and garments, despite the Jenkins Bill.

He said the government should not be over-dependent on sugar exports, suggesting that the government should start cutting down on the sugar exports by 10 percent every year so as to give way to other export crops.

In import liberalization, Concepcion said the government will work out a formula that would increase import tariff on some products by 20 percent to 25 percent in order to protect local industries.

He said he is set to discuss with U.S. Secretary of State George Shultz in detail the proposal for the Philippines to gain greater access to U.S. market, import controls and other critical issues this week. Shultz arrived last June 24. He is here on an official visit to the Philippines.

Trade and Industry Minister Jose S. Concepcion, Jr. yesterday announced that the government has agreed to liberalize up to 1,000 items within the year as required by the International Monetary Fund.

Concepcion said the government is also set to lift import controls on 220 items next week. He added that all quantitative controls on all imports would be lifted next week.

In place of the quantitative restrictions, Concepcion said the government has agreed with the IMF to allow a 20 percent tariff rate increase above existing rates to protect local industries from foreign competition.

He said a uniform preferential rate of 30 percent of the effective landed cost would be adopted. However, he said the tariff protection would be phased out after 5 years as agreed upon with the IMF.

/9599

CSO: 4200/1195

PHILIPPINES

BUSINESS SEES NO CHANGE IN ECONOMIC POLICY

HK020053 Quezon City BUSINESS DAY in English 1 Jul 86 pp 2, 3

[Article by Daniel C. Yu]

[Text] Recent government pronouncements indicate that the Aquino administration is not likely to deviate too much from the economic programs of the previous dispensation--much to the disappointment of most businessmen.

This has deepened the frustration of several business leaders, who, just over 3 months ago, joined in the general jubilation over the toppling of the Marcos dictatorship, believing that the change in government would likewise lead to changes in economic programs and bring about the long-awaited recovery.

Today, businessmen are fast realizing that the new government--like the previous regime--could not just turn its back on the country's creditors as well as the conditions they have set forth. The difference however is that today's economic policy-makers--the majority of them at least--seem to be sincerely convinced that some of the prescriptions of the International Monetary Fund (IMF) and the World Bank are just what the doctor ordered.

One of the more controversial IMF-World Bank prescriptions, the trade liberalization program, which businessmen, time and again, had asked the government to restudy, is due to be completely implemented by the last quarter of this year. A first batch of some 500 items was already liberalized last May in compliance with the so-called policy reforms outlined by the Fund.

The new government has also put in place a package of tax reforms meant to shift the tax burden away from indirect taxes, which are indiscriminate, to direct taxes. It meanwhile continues to implement a much-protested turnover tax scheme.

There is debate within the cabinet over a proposed plan for the selective repudiation of some of the country's foreign debts. However of late, there is increasing indication that such a plan, aimed at softening the pressure on foreign exchange demand, will not go beyond rhetorics.

The euphoria following the "people-powered" February revolution has ebbed and businessmen are realizing that the economy is no nearer today to solving the

problems of trade, investments, labor, and a host of other things. Some businessmen, in fact, believe that some problems have taken a turn for the worse.

The Philippine Chamber of Commerce and Industry (PCCI) for example recently noted that a paper prepared by a group of economic professors from the University of the Philippines [UP] which will reportedly serve as the basis for a new Philippine 5-year plan, is "anti-big business" (see BUSINESS DAY, June 27 issue). This observation, coming as it is from the biggest grouping of businessmen and industrialists in the country, has discouraged some entrepreneurs from undertaking any new investment.

Analysts see similarities between the conditions today and those prevailing during two previous Philippine crises, in 1962 and 1970, where as a result of IMF prescriptions for correcting instability within the economy, domestic industries ended up deeper in difficulties.

It was in 1962 that the IMF called for a policy for decontrol for the Philippines to support export-oriented development. In 1970, as a result of the country's balance of payments (BOP) problem and as a precondition for the release of IMF credit, the peso was floated vis-a-vis the dollar. In both occasions, domestic industries suffered and had to undergo severe adjustments.

The concern over the similarities in conditions is not without basis. In his book "Debt Shock," Darrell Delamaide, a financial writer and the European bureau chief for INSTITUTIONAL INVESTOR, noted: "The Philippines benefitted from a surge in United States aid and IMF credits after it removed import controls in 1962. But the effect of lifting the restrictions was a dramatic increase in imports of consumer goods like cars, television sets, and electrical appliances."

Delamaide said imports rose 68 percent in the period 1963 to 1967, while exports grew only 7 percent, aggravating the Philippine trade deficit. "The money came from those foreign credits, so the country's indebtedness also rose," he added.

In the case of the 1970 crisis, when the peso was floated vis-a-vis the dollar, Gonzalo M. Jurado, formerly of the UP School of Economics, in his paper "Foreign Trade and External Debt," described the situation as follows: "The floating of the peso vis-a-vis the U.S. dollar in 1970 was a repetition of the drama of 1962. Though the undermining of the equilibrium was caused by the failure of the export sector to grow rapidly, by the extravagant spending in the presidential election of 1969, and by the large amounts of foreign exchange that had to be shipped out to service loans previously incurred, the blame however was laid on local industries, the fault being that they were 'import-dependendnt'."

It should be emphasized that the reforms instituted in 1962 were claimed to be in preparation for a more outwardlooking policy; to encourage exports. But by 1970, it was evident that this policy had failed.

This same reason is now being given as the rationale for an export-oriented development strategy for the Philippines which intends to generate enough foreign exchange to pay the country's debt. If domestic industries suffer in the process, they just have to adjust.

The penchant to blame development problems on the inability of domestic industries to grow has raised serious doubts on the real intent of IMF-prescribed adjustment programs and their impact on development countries like the Philippines.

Despite the IMF's insistence on export-led growth as the proper course for developing countries, the Philippine experience with such a development strategy has actually resulted in very little success.

The IMF has often cited the experiences of so-called newly industrializing countries as examples of the positive impact of such a strategy but it never mentioned that these very countries provided all the support and protection to their domestic industries during the 1960's when the fund was asking the Philippines to open up its market.

There is serious doubt today on whether export-oriented development is really the right course for the country to take at a time when there is an oversupply of exportable goods in the world, increased competition in the export market and continued protectionism in the developed countries where Philippine exports are principally sold.

There is also an equally serious doubt on the wisdom of opening up the local market at this time and exposing domestic-oriented companies, which underwent severe adjustments during the last 3 years, to foreign competition.

The Philippines' export record is not exactly something to crow about and, in fact, since the government first adopted an export-oriented policy, the country's overall net terms of trade, the measure of the price paid for Philippine exports, has deteriorated yearly. For example, from a 1974 terms of trade index of 114.5, the index has fallen continuously to only 59.8 in 1984.

In the case of imports, on the other hand, the importation level has generally exceeded export receipts and the propensity to import has not been diminished by adjustments in the exchange rate.

If local business was made to adjust in 1962 and then again in 1970 and managed to barely survive, many businessmen are wondering whether Philippine business, just recuperating from a 3-year crisis, could take yet another round of major adjustments.

More than this, business leaders are wondering if there ever was a real industrial development policy for the country that supported local

entrepreneurs, protected indigenous industries and transformed them into world-class ventures.

If industries were concentrating on the domestic market during the 1970's, part of the reason was the environment that the government had created. Regarding the expansion of firms in so-called overcrowded industries, for instance, the Board of Investments (BOI) had stated that it "discourage(s) unnecessary investments in industrial areas where existing capacities are deemed to be in excess of the local demand for a product for purposes of conserving foreign exchange to be used for the importation of machinery and equipment." This policy was scrapped only in 1981.

Though the conditions today may be similar to those in 1962 and 1970, the problems are bigger now in view of the debt crisis the country is in. After going through the economic crisis, Philippine business and industry may have just about reached the end of the rope. A new round of severe adjustments may finally cause them to lose their grip.

/9599

CSO: 4200/1195

PHILIPPINES

COCONUT PLANTERS BANK ELECTS NEW BOARD

HK020347 Quezon City BUSINESS DAY in English 1 Jul 86 p 13

[Article by Ramon R. Isberto]

[Text] An all-new 15-member board of directors of United Coconut Planters Bank [UCPB] was elected last night after a stormy stockholders' meeting that saw the dramatic resignation of Defense Minister Juan Ponce Enrile from the UCPB board and from the whole coconut industry.

Armed with a voting right over 94.4 percent of UCPB's 747 million voting shares, the Presidential Commission on Good Government [PCGG] and its 15-member slate was voted into the board over bitter protest of several thousand delegates from the Philippine Coconut Products Federation (Cocofed).

As of press time, the new board was meeting to elect the bank's new set of officers.

The new board members are Ramon Sy, Diosdado Salvador, Oscar Santos (chairman of the Philippine Coconut Authority), Charles Avila, Manuel Concordia, Juan B. Carlos, Enrique Herbasa, Teodoro Locsin, Jr. (information minister), Victor Barrios, (head of PISO [expansion not given] bank and chief financial analyst of the PCGG), Filemon Fernandez, Simeon Datumalong, Antonio Gatuslao, Antonio Picazo, and Sunday Lavin.

The elections pushed through despite angry protests from Cocofed representatives who questioned the PCGG's right to sequester shares issued in the name of coconut farmers and to exercise the voting rights of those shares.

Enrile, who chaired the meeting, had to bang his gavel repeatedly throughout the 2-hour meeting which started 3:21 pm.

In an order dated June 26 the PCGG sequestered about 388 million shares or 51.8 percent of UCPB common stock issued to 1.4 million coconut farmers.

Last June 6, the commission sequestered a 43.5 percent to former UCPB President Eduardo Cojuangco, Jr.

Cocofed's Davao City chapter nominated a 15-man slate headed by Enrile and Cocofed President Maria Clara Lobregat. Cojuangco's personal lawyer, Gabriel Villareal, also presented six nominees that included Enrile and UCPB President Danilo Ursua.

Enrile and Ursua declined the nomination.

UCPB chairman for the past 11 years, Enrile said he had decided to "completely and irrevocably" sever the connections with the bank and the entire coconut industry.

The controversial defense chief said that this was necessary to give the PCGG a free hand in investigating allegations of anomalies in UCPB and the network of other companies built out of the P9.7-billion coconut levy fund.

Over boos and catcalls, PCGG Commissioner Ramon Daza said the sequestration of UCPB shares did not mean that the government was taking over ownership of those shares.

He emphasized that the shares actually owned by farmers would be revalidated and that the PCGG wanted only to pinpoint the shares owned by Cojuangco and his nominees.

PCGG Commissioner Ramon Daza said the commission had received reports and affidavits that Lobregat had been buying shares back from coconut farmers since 1982. According to reports, up to 80 percent of the shares issued in the name of coconut farmers may have been bought back this way, he said. Lobregat denied the allegation.

Daza added that Cojuangco has admitted to PCGG commissioners during the latter's recent trip to the United States that he "controlled" the 33.13 million shares of San Miguel Corp. stock sequestered by the PCGG.

Other coconut farmers in yesterday's meeting meantime questioned the position of the Cocofed. An owner of a 7-hectare farm in Sorsogon claimed that this was the first time UCPB had notified and called coconut farmers to a stockholders' meeting. "The question is why," he said. "Is it because of the presence of the PCGG? And that they are now under pressure to disclose the real state of affairs in the bank?"

/9599

CSO: 4200/1195

PHILIPPINES

LACK OF COCONUT EXPORT TAXES COULD REDUCE REVENUE

HK030729 Quezon City BUSINESS DAY in English 2 Jul 86 p 2

[Article by Carol E. Espiritu]

[Text] The scrapping of export taxes on coconut products which took effect yesterday would mean a revenue loss of about P300 million for the government this year.

According to a recent estimate made by the National Tax Research Center (NTRC), the export value of coconut products in 1986 would come to about \$611.01 million which, it said, would have meant duty collections totalling P633.45 million if export taxes were retained.

Since the scrapping of export taxes took effect July 1, revenue loss would thus be about P300 million, representing potential earnings for the second half of 1986.

Based on NTRC projections, copra exports in 1986 are expected to be worth \$48 million, which, with the previous 10 percent duty rate, would have meant P98.40 million in duty collections. For coconut oil, estimated to post a total export value of \$358.03 million, duty collection would have totaled P366.95 million, based on the former 5 percent duty rate.

Desiccated coconut exports, projected to reach \$85.55 million, would have contributed P80.11 million to government revenues at the previous 4 percent duty rate. Copra meal/cake, on the other hand, expected to earn \$199.38 million this year, would have given P97.99 million at the old 4 percent duty rate.

Although the scrapping of export taxes on coconut products is expected to ease the financial pressure on exporters who are facing severe downswings in prices in the world market, it would prevent the Philippine Coconut Authority (PCA) from undertaking projects to benefit coconut farmers. Such projects include the national coconut replanting program (NCRP), the intercropping project and various research and development programs.

This means that the PCA will have to seek alternative funding sources or ask the government to reimpose the export taxes. The PCA receives a budget of P90 million from the government.

One alternative is to resume levy collections, but this is likely to be controversial considering that the poor export performance of coconut products has already depressed conditions in coconut farms.

The export tax, originally a stabilization tax, was aimed at generating revenues for development projects and siphoning off excess money from exporters arising from changes in the peso-dollar exchange rate.

On July 1, 1973, the stabilization tax which ranged from 4 percent to 10 percent was incorporated into the Tariff and Customs Code as an export duty and pegged at 8 percent for copra, 4 percent for coconut oil, desiccated coconut and copra meal/cake. In addition to the tax, duty was likewise imposed at 30 percent for copra and 20 percent for coconut oil, desiccated coconut and copra meal/cake.

However, Presidential Decree No 1476 issued on June 11, 1978, revised the tax rates for copra to 7.5 percent in 1979 to 1980, and to 9 percent in 1981.

But this decree was in effect barely 5 months when coconut prices suddenly dropped in the world market, prompting the suspension of the export taxes and premium duties on coconut products. The suspension was implemented by Executive Order [EO] No 593 of May 17, 1980.

In January 1982, the export duty on copra was reimposed at 7 percent, but in September that year, copra exports were suspended altogether.

Improved world prices in late 1983 however prompted the lifting of the suspension of the duties and taxes based on FOB values. Taxes were then revised to 3 percent for copra, 5 percent for coconut oil, and 4 percent for copra meal/cake.

These were again revised by EO No 920 in November 1984. Duty on copra was set at 7.5 percent; for coconut oil, it was reduced from 5 percent to 1 percent; and for desiccated coconut and copra meal/cake, it was scrapped. The objective then was to slap a differential duty to discourage raw material exports.

On March 19 this year, EO No 9, issued by President Aquino, lifted the copra ban and reduced the additional duty on copra from 7.5 percent to 2.5 percent.

In 1977, total revenue from coconut exports totaled P245 million; in 1978, P263.4 million; in 1979, P309 million; in 1980, P190 million; in 1982, P11.98 million (after the suspension of taxes); and in 1984, P88.85 million (after the lowering of duties).

/9599

CSO: 4200/1195

PHILIPPINES

COCONUT AUTHORITY SEEKS COCOFED SEQUESTRATION

HK030733 Quezon City BUSINESS DAY in English 2 Jul 86 p 14

[Text] The Philippine Coconut Authority (PCA) has asked President Aquino to order the sequestration of all assets of the Philippine Coconut Producers Association (Cocofed) and is now initiating moves to organize coconut farmers following plans to withdraw recognition to Cocofed.

PCA Chairman Oscar Santos has submitted two draft executive orders to President Aquino, one ordering the sequestration of Cocofed assets and withdrawing from it government support and another authorizing the PCA to organize sectors involved in the coconut industry.

In his note to Executive Secretary Joker Arroyo, Santos said the sequestration move was needed to preserve and conserve the assets, investments, and records of Cocofed. On the other hand, Santos said the withdrawal of government recognition to Cocofed was aimed at broadening its membership base and control its leadership "for and by true coconut farmers and workers."

Instead, Santos said the Cocofed should cease trying to represent coconut farmers and instead give way to a new association of legitimate coconut farmers.

The withdrawal of government recognition, Santos said does not mean the end of Cocofed. "It may still remain as an association of coconut planters but being unrecognized, its power and privileges under the law would be effectively clipped," Santos said.

Among the Cocofed assets eyed for sequestration is the P40 million Tahanang Maharlika (Coconut Palace) and the P50 million donation of Cocofed to set up Lungsod ng Kabataan (Children's Hospital) which used levy funds.

Present funding of Cocofed, based on both increased copra production and PCA allocation is about P75 million annually. However, since the funds are generated from taxes from farmers, Santos said that the government were using public funds in subsidizing Cocofed although it is beyond normal government auditing jurisdiction.

The draft executive order also cited that Cocofed leadership has not served the interest of farmers, adding that membership record of Cocofed confirmed only about 9 percent of coconut farmers as active members.

Upon sequestration by the Presidential Commission on Good Government (PCGG) the draft order also sought to authorize the PCA to administer Cocofed, its subsidiaries and owned and controlled entities. The PCA would also be empowered to merge, create, or abolish units or entities and transfer functions from one unit to another.

At the same time Santos told a press conference that his first priority in the first meeting of new board officials of the United Coconut Planters Bank (UCPB) would be to immediately seek for a divestment of assets of the UCPB--administered Coconut Industry Investment Fund (CIIF). The liquefied sum, he said would be used to fund urgent projects.

The CIIF investments, which funded oil mills, copra and other agricultural trading companies, the United Coconut Chemicals Inc. (Unichem), among others, total P2.7 billion.

PCA officials however said that a divestment of these assets will bring a liquefied amount of at least P3 billion. CIIF mills, namely, Granex Manufacturing Corp., Legaspi Oil Co., San Pablo Manufacturing Corp., and Southern Luzon Coconut Mills which were infused P681 million from the CIIF is expected to bring at least P1.2 billion considering huge investments made in the course of its operations.

Santos said the sell-out of the mills would be done by public bidding adding that although multinational companies would not be disqualified, the government will make sure that a concentration of purchases to a single entity is avoided. "A sell-out is the most effective way of dismantling the monopoly," he said.

There are some sectors in the coconut industry however who maintain the position that the levy funds, including the CIIF were farmers money which should thus be returned to them.

Santos said that Commission [as published] on Audit Teofisto Guingona who declared the levy funds as public money has agreed to treat the collections as "special funds" to allow it to be used for programs to benefit the industry.

There are some sectors in the industry however who think that farmers who contributed to the levy deserved to get back their just shares. Coconut planter Manuel Sarabia from Iloilo however said that it would be difficult to distribute the dividend to 1.4 million coconut farmers.

"This is now water under the bridge, and the important thing is that the entire amount is used to improve the livelihood of coconut farmers," he said.

/9599

CSO: 4200/1195

PHILIPPINES

ARTICLE REVIEWS DISPUTE OVER COCONUT BANK

HK030026 Quezon City BUSINESS DAY in English 2 Jul 86 p 13

[Article by Ramon R. Isberto]

[Text] The fight for the United Coconut Planters Bank [UCPB] has just begun.

Officials of the Presidential Commission on Good Government [PCGG] and the Philippine Coconut Producers Federation (Cocofed) traded sharp verbal attacks yesterday, which showed the row over the PCGG's sequestration of 94.4 percent of the UCPB voting shares isn't about to die down and that huge lawsuits may yet follow.

Commissioner Raul Daza told newsmen yesterday that the five-man commission tasked with recovering ill-gotten wealth "deplored" the "disruptive behavior" of Cocofed officials led by Maria Clara Lobregat, who, he said, may have misused Cocofed funds to assemble a highly partisan crowd during the stockholders' meeting.

He charged that Cocofed officials had "clearly acted from purely selfish interests" in rejecting a compromise proposed by Defense Minister Juan Ponce Enrile that would have allowed five Cocofed representatives to sit on the new 15-man UCPB board of directors.

Lobregat led a walkout by the Cocofed delegation that packed the ballroom of the Makati Sports Club last Monday.

In an interview with BUSINESS DAY, Lobregat said the walkout was "the only honorable thing for us to do."

"They should have heard the farmers," she said.

Lobregat stressed that the PCGG should have allowed the coconut farmers to cast their votes in the election of the board of directors.

Coconut farmers represented by Cocofed are listed as owning 51.8 percent of UCPB common shares. The PCGG preempted the use of the voting rights of those shares by sequestering the block of shares.

Despite assurances from Commissioners Daza and Ramon Diaz that sequestration did not mean the government was taking ownership of the shares, Cocofed provincial delegations bitterly attacked the PCGG for acting "dictatorially" and booed the two commissioners and coconut planters who spoke up in their defense.

Daza charged that the Cocofed leadership had packed the stockholders' meeting with an audience hostile to the PCGG. "Mrs Lobregat carted in her supporters in buses and jeepneys," he said.

He added that Cocofed had sent telegrams to selected provincial chapters to come to Manila as early as Thursday, promising to pick up the tab or reimburse expenses. The Cocofed delegations were billeted at the Tropical Palace in Paranaque (see BUSINESS DAY yesterday).

On Friday, a caucus of the Cocofed leadership decided to insist on the election of its entire 15-man slate, Daza claimed.

"The moment of truth came when Minister Enrile generously offered to relinquish to Mrs Lobregat and her group his option of naming five directors," Daza said. He expressed disappointment over Cocofed's rejection of the offer, saying Enrile's proposal would increase Cocofed's representation in the board from four directors in the past to five.

"Why should we go along with (Enrile's proposal)?" Lobregat said in the interview. "We are the owners of 51 percent of the bank. We are the majority. How can they give us only five seats?"

She said Cocofed had been content with four seats in the past because "the previous board...consisted of people who really love the coconut industry."

Domingo Espina, Cocofed vice-president for the Visayas, urged the new UCPB board to resign. "How can they rightfully sit on the board when they have not been elected by the stockholders?" he asked.

Asked if Cocofed is considering raising the matter to the courts, Lobregat said, "We'll take this up with our lawyers."

"We do not know what will happen next," she said. "They can even sequester Cocofed...Maybe we will just wait and put this all together in one suit."

PCGG officials said the matter of Cocofed has "not been even discussed in the commission's meetings yet."

Daza is, however, taking to task the Cocofed leadership for another matter. He warned Lobregat and other federation officials that since Monday's meeting was that of the bank, they should not use the federation's funds for the farmers' attendance. "If this is the case, Mrs Lobregat should be held personally accountable for the misuse of Cocofed funds," he said.

He added the PCGG had received reports alleging that Lobregat had urged "mass withdrawals from the UCPB." "If true, Lobregat's statement is highly irresponsible," he said.

Lobregat flatly denied the allegation. Saying she is only a "small planter, a small voice," the Cocofed president charged that the PCGG should be held morally and legally responsible if the bank should run into trouble. She emphasized that UCPB had been built through the efforts of the coconut farmers.

The matter of the coconut farmers' ownership of Cocobank lies at the heart of the dispute. Cocofed leaders insist that the coconut farmers own over half of the bank. The PCGG, on the other hand, has cited reports that as much as 80 percent of the shares issued in the name of the farmers have been bought back by former UCPB president and Marcos crony Eduardo Cojuangco Jr. through Cocofed officials.

/9599

CSO: 4200/1195

PHILIPPINES

24 CORPORATIONS PETITION SUPREME COURT OVER SEQUESTRATION

HK030143 Manila MANILA BULLETIN in English 2 Jul 86 pp 1, 12

[Article by R. Panaligan]

[Text] Owners of 24 corporations denounced yesterday the sequestration orders issued by the Presidential Commission on Good Government (PCGG) as violative of the Freedom Constitution adopted by the Aquino government.

In a petition filed by former Ambassador Robert S. Benedicto and owners of 24 corporations, the Supreme Court was told that the PCGG's sequestration orders are contrary to the rule of law and due process.

The petition asked the Supreme Court to issue a restraining order that would:

1. Stop the implementation of the sequestration orders.
2. Bar the PCGG from searching and seizing documents of firms affected by the sequestration order.
3. Stop PCGG's takeover of businesses against whom sequestration orders are issued.
4. Return to firms and business all documents, papers, and other things illegally searched and seized.
5. Furnish all sequestered firms the documents and all records of proceedings prior to the issuance of the sequestration orders.

Aside from Benedicto, those who filed the petition were the owners of Belgor Investments Corp., Far East Managers and Investors, Northern Lines, Negros Stevedoring, Radio Phils. Network, Phils. Daily Express, Express Commercial Printers, Universal Molasses, Universal Equity, Integral Fractors, New Riviera Hotel Dev't., Visayan Maritime Academy, Agro Industrial and Commerical Security Service, Ireland Bulk Carriers, Coron Bulk Carriers, Ecija Bulk Carriers, Fuga Bulk Carriers, Agrid Ford, Banahaw Broadcasting, Intercontinental Broadcasting, Malibu Agro Business, Molave Bulk Carriers, Peninsula Tourist Shipping, and Strachan and MacMurray.

Named respondents in the petition were the PCGG chairman and commissioners and their agents and representatives implementing the sequestration orders.

The petition was the third filed before the Supreme Court questioning the legality and constitutionality of the PCGG's sequestration orders.

The first two cases were filed by Roman Cruz Jr., former chairman of the Philippine Airlines, and the owners of the Tourist Duty-Free Shops (TDFS).

The Benedicto petition claimed that the executive orders creating the PCGG are void and unconstitutional.

It said Executive Orders 1 and 2 are bills of attainder, general warrants, ex post facto laws, confiscatory, violative of the rule of law and due process, [words indistinct] exclusively the power to convict without judicial determination.

Citing that the sequestration orders are contrary to law and due process, the Benedicto petition said:

1. PCGG's conclusion is already mandated and pre-ordained.
2. PCGG's is charged with the duty of looking for evidence to support its mandated findings.
3. PCGG issues general search and seizure orders conducting fishing expeditions, disregarding all human rights, including the right against self incrimination, in its efforts to find evidence to support its conclusion.
4. PCGG makes its own rules.
5. PCGG rules on inclusion or exclusion of evidence.
6. PCGG evaluates its own evidence.

The petition claimed that Executive Orders 1 and 2 that created the PCGG violated the Freedom Constitution where the Bill of Rights is enshrined.

It said that the Bill of Rights provides that no ex post facto law or bill of attainder should be enacted.

It said the creation of the PCGG is a violation of the Bill of Rights because it is, in effect a bill of attainder.

Benedicto and owners of the 24 firms told the Supreme Court that they are willing to file a bond to answer for any damage that the PCGG may sustain in the high courts issuance of an injunction.

/9599

CSO: 4200/1195

PHILIPPINES

'ECONOMIC INDICATOR' COLUMN ON CENTRAL BANK LOANS

HK021541 Quezon City BUSINESS DAY in English 2 Jul 86 p 2

["Economic Indicator" column: "CB Lendings Increase 152 Percent"]

[Text] Total loans granted by the Central Bank [CB] to the national government, banking institutions, and non-banks with quasi-banking functions more than doubled in the first quarter compared to the amount extended by the CB to the same institutions in the same period last year.

Statistics taken from the CB showed that total lendings expanded by a hefty 151.76 percent from P21,907.8 million last year to P55,154.1 million.

The heaviest borrower was the banking sector composed of specialized government banks, thrift banks, rural banks, and commercial banks. This group availed of 60.11 percent of P33,150.8 million of the total loans for the first 3 months. The banking sector's borrowings went up 69.09 percent from P19,605.8 million last year.

Of the different banking institutions, commercial banks were the top borrowers, accounting for P18,470.5 million, up from P8,494.3 million in 1985.

Specialized government banks, consisting of the Development Bank of the Philippines, Land Bank of the Philippines, and Philippine Amanah Bank borrowed P14,542.5 million from January to March this year, up 33.75 percent from last year's P10,872.7 million.

Meanwhile, loans extended to the national government, totaling P21,940.8 million or 39.78 percent of the total, ballooned 884.29 percent from P2,229.1 million last year. This despite CB Governor Jose B. Fernandez, Jr.'s plan, announced upon his reappointment as CB head, to lend more to the private sector.

Of the total loans granted to the government in the period, P10,822.0 million was for budgetary purposes while P11,047.3 million was earmarked for non-budgetary purposes.

Loans Granted by the Central Bank
as of March 1986 and 1985
(in million pesos)

		Grand Total	Total	Government		Locals Semi- Government Entities
				National Government Budgetary	National Government Others	
1986	January	8,682.7	3,045.1	1,500.0	1,490.9	54.2
	February	25,698.2	6,015.2	--	6,005.2	10.0
	March	20,773.2	12,880.5	9,322.0	3,551.2	7.3
1985	January	7,498.7	1,038.1	--	1,030.8	7.3
	February	7,356.7	984.0	--	773.0	211.0
	March	7,052.4	207.0	--	--	207.0
	April	14,492.8	11,541.6	8,440.0	2,943.4	198.2
	May	8,399.9	1,218.2	--	1,070.6	147.6
	June	6,729.7	3,620.0	--	3,539.6	80.4
	July	4,922.0	589.4	--	530.0	59.4
	August	16,035.0	2,531.6	--	1,127.3	1,404.3
	September	9,660.6	4,119.0	2,101.0	955.1	1,062.9
	October	8,292.4	3,109.9	--	2,596.9	531.0
	November	9,264.8	2,056.6	--	1,678.7	377.9
	December	12,569.6	4,690.9	--	4,249.2	441.7

		Total	Splzd. Gov't. Banks	Thrift Banks	Banks Rural Banks	Commercial Banks	NBQBF#
1986	January	5,636.1	1,357.2	0.7	32.0	4,246.2	1.5
	February	19,622.4	9,720.8	28.5	29.7	9,843.4	60.6
	March	7,892.3	3,464.5	6.0	40.9	4,380.9	0.4
1985	January	6,423.9	3,280.5	94.9	32.9	3,015.6	36.7
	February	6,351.1	3,556.4	0.1	43.3	2,751.3	21.6
	March	6,830.8	4,035.8	13.3	54.3	2,727.4	14.6
	April	2,917.9	1,030.4	2.8	58.4	1,826.3	33.3
	May	7,173.9	1,647.8	5.6	60.1	5,460.4	7.8
	June	3,108.2	2,513.5	0.9	49.2	544.6	1.5
	July	4,328.4	1,336.2	13.0	71.6	2,907.6	4.2
	August	13,496.0	8,607.8	10.9	80.2	4,797.1	7.4
	September	5,540.2	1,993.5	1.0	75.8	3,469.9	1.4
	October	5,177.6	1,412.2	2.5	67.7	3,695.2	4.9
	November	7,204.8	2,989.8	0.9	18.5	4,195.6	3.4
	December	7,874.4	3,785.2	1.3	52.0	4,035.9	4.3

Non-Banks with Quasi-Banking Functions

Source: Central Bank

/9599

CSO: 4200/1195

PHILIPPINES

DROP IN PESO TO DOLLAR RATE, AVERAGES REPORTED

HK040519 Quezon City BUSINESS DAY in English 3 Jul 86 p 2

["Economic Indicator" column: "Peso Falls vs Dollar"]

[Text] The peso's value vis-a-vis the U.S. dollar in the first half of the year averaged P20.326407 per dollar, down 8.64 percent from the P18.709842 per dollar average during the comparative period in 1985, exchange rates data gathered from the Central Bank and compiled by BUSINESS DAY showed.

Other currencies that form part of the Philippine international reserves such as the Austrian schilling, Belgian franc, Canadian dollar, French franc, Hong Kong dollar, Japanese yen, Netherlands guilder, Singapore dollars, Swiss franc, United Kingdom pound, and West German deutsche mark also performed well against the peso.

Average Exchange Rate of the Peso

January - June 1985 and 1986
(in pesos per unit of foreign currency)

<u>Currency</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>
U.S. dollar	x 19.050304	20.631000	20.720389	20.504523
Australian dollar	xx 13.333413	14.449456	14.669139	14.811082
Austrian schilling	x 1.111530	1.264319	1.303406	1.283350
Bahrain dinar	xx 50.525891	54.731281	54.972894	54.821859
Belgian franc	x .381143	.433613	.445367	.441259
Canadian dollar	x 13.542796	14.693700	14.790667	14.774386
Chinese renminbi	xxx 5.935599	6.416796	6.438139	6.377151
Danish kroner	2.130770	2.411438	2.477694	2.431586
French franc	x 2.546013	2.897731	2.972483	2.848218
Hong Kong dollar	x 2.440548	2.644881	2.653789	2.631532
Indonesian rupiah	.016857	.018350	.018439	.018305
Iraq dinar	16.649057	18.019231	17.677778	17.922945

[Continued on following page]

<u>Currency</u>		<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>
Italian lire		.011404	.013031	.013383	.013109
Japanese yen	x	.095270	.112406	.116033	.117032
Kuwait dinar	xx	65.875930	72.774350	72.451567	70.890073
Malaysian dollar	xx	7.795139	8.367513	8.207344	7.913109
Netherlands guilder	x	6.932222	7.876781	8.101783	8.002168
New Zealand dollar		9.856430	11.040669	10.958017	11.501555
Norwegian kroner		2.524865	2.845919	2.905250	2.868064
Saudi Arabian riyal	xx	5.217922	5.651381	5.674717	5.618291
Singapore dollar	x	8.942613	9.647275	9.592100	9.389818
Spanish peseta		.123748	.139669	.136661	.134905
Swedish kroner		2.511109	2.798900	2.864700	2.833577
Swiss franc	x	9.227770	10.635763	10.862661	10.787236
Taiwan dollar		.480017	.528100	.533144	.532532
Thailand baht		.725361	.782450	.789300	.782300
United Kingdom pound	x	27.201309	29.563188	30.433106	30.723545
West German D-mark	x	7.811778	8.896794	9.143622	9.020314

<u>Currency</u>		<u>May</u>	<u>June</u>	<u>Average</u>	<u>Average January to June 1985</u>
U.S. dollar	x	20.500250	20.551975	20.326407	18.709842
Australian dollar	xx	14.911650	14.216615	14.398559	13.308783
Austrian schilling	x	1.310965	1.307495	1.263511	.840867
Bahrain dinar	xx	54.391640	54.528450	53.995336	49.579921
Belgian franc	x	.450165	.448505	.433342	.293347
Canadian dollar	x	14.905290	14.790725	14.582927	13.763568
Chinese renminbi	xxx	6.403410	6.396498	6.327932	6.541912
Danish kroner		2.487990	2.477635	2.402852	1.649675
French franc	x	2.889985	2.879945	2.839063	1.992536
Hong Kong dollar	x	2.626355	2.632360	2.604911	2.402536
Indonesian rupiah		.018300	.109130	.033230	.017978
Iraq dinar		17.919215	17.964425	17.692109	15.515045
Italian lire		.013360	.013325	.012936	.009336
Japanese yen	x	.122845	.122325	.114318	.073631
Kuwait dinar	xx	70.427440	69.760280	70.363273	61.479597
Malaysian dollar	xx	7.903840	7.844750	8.005283	7.481498
Netherlands guilder	x	8.175470	8.154805	7.873872	5.237322
New Zealand dollar		11.634375	11.249715	11.040127	8.573528
Norwegian kroner		2.768120	2.697335	2.768259	2.053629
Saudi Arabian riyal	xx	5.616540	5.486685	5.544256	5.191828
Singapore dollar	x	9.263725	9.255565	9.348516	8.394741
Spanish peseta		.144400	.142585	.136995	.105405
Swedish kroner		2.872265	2.848590	2.788190	2.058237
Swiss franc	x	11.075330	11.144895	10.622276	7.024963

[Continued on following page]

<u>Currency</u>	<u>May</u>	<u>June</u>	<u>Average</u>	<u>Average January to June 1985</u>
Taiwan dollar	.536165	.542740	.525450	.476632
Thailand baht	.786990	.788740	.775857	.686305
United Kingdom pound	x 31.184950	30.961885	30.011330	22.238050
West German D-mark	x 9.209815	9.181070	8.877232	5.889284

x Currencies that form part of the Philippines international reserves
 xx Other acceptable currencies
 xxx Beijing exchange rate--Reuters

Source: Central Bank

Compiled by: Business Day Data Bank

/9599

CSO: 4200/1195

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK COMMENTARY HAILS CONTROL OF ANGKOR WAT AREA

BK210458 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
19 Jun 86

[Station Commentary: "Our National Army and People in Siem Reap Province Successfully Liberated and Controlled the Vietnamese Defense Network Around the Angkor Wat Area"]

[Text] At around midnight on 10 June, our National Army in cooperation with fraternal Cambodian soldiers launched a successful 4-pronged attack against the Vietnamese defense network in the Angkor Wat area. The first prong attacked the Vietnamese enemy's radar station on Bakheng Hill; the second prong attacked the Vietnamese battalion position at Trapeang Ses Village; the third prong attacked the defense line north of Angkor Wat; and the fourth prong attacked the 497th Command Post west of Angkor Wat. We totally liberated and took control of the Vietnamese position network in this Angkor Wat region and freed 25 villages in this area. We also killed or wounded 87 Vietnamese enemies. Among those killed were a division commander and two regiment commanders. We destroyed 120 assorted weapons, 1 radar station, 1 radar, 1 large telegraph set, 2 15-watt telegraph sets, 1 ammunition depot containing 8 metric tons of ammunition, 1 rice storehouse containing 400 sacks of rice, 6 trucks, and a large quantity of ammunition and war material. We seized 25 assorted weapons and some ammunition and war material.

This is another heavy attack launched by our National Army and people against the Vietnamese aggressors in this rainy season. Angkor Wat is one of the tightly defended regions of the Vietnamese enemies. They have stationed a large number of troops armed with modern weapons and radar station for the defense of this Angkor Wat region. They use this Angkor Wat region for propaganda purposes to fool the world into believing that they are in full control of Cambodia. They often invite foreign journalists and tourists to visit this region for this propaganda purpose. Earlier, the Vietnamese enemies posted their joint command headquarters for supervising their war of aggression in Siem Reap Town.

However, despite this tight defense, our soldiers and people in Siem Reap Province--the outstanding sons and daughters of the land of Angkor--have successively attacked the Vietnamese enemies in the areas around the Angkor temple and throughout Siem Reap Province. They have implemented our five attack tactics in a lively way by coordinating our three forces effectively. In

particular, they attacked and dismantled the Vietnamese enemies' village and commune administration, dispersed Cambodian soldiers, cut off large and small transport routes of the Vietnamese enemies, and destroyed their manpower and war material on a regular basis both in the dry and rainy seasons, thus turning the Angkor Wat region and all of Siem Reap Province into a place of permanent insecurity. Our National Army and people have jointly attacked Siem Reap Town three times now. We destroyed a lot of Vietnamese manpower and war material. We even killed a number of the Soviet advisors in Siem Reap Town. Due to our activities, the Vietnamese enemies were compelled to withdraw their joint command headquarters from Siem Reap Province. However, the Vietnamese enemies still maintain a large number of troops to defend Siem Reap Town and the Angkor Wat region so as to make this region look calm for their deceitful propaganda purposes. But, our National Army and people in Siem Reap Province have been able to successively attack the Vietnamese enemies more vigorously in this region. Due to this, the Vietnamese enemies in this region have been living in great panic.

The attack launched by our National Army and Cambodian soldiers against the Vietnamese defense line at Angkor Wat on 10 June clearly shows that the Vietnamese enemies could not depict the Angkor Wat region as a calm place to serve their deceitful propaganda.

Our National Army and people throughout the country are very happy over the brilliant victories won by our National Army and fraternal Cambodian soldiers in Siem Reap Province in attacking the defense line of Angkor Wat region. Our National Army and people throughout the country wish our national soldiers, people, and fraternal Cambodian soldiers in Siem Reap Province greater victories in their struggle against the Vietnamese aggressors and race exterminators. We also call on them to further coordinate our three forces to attack the Vietnamese aggressors more vigorously as they are doing in this Angkor Wat region in order to contribute to liberating our beautiful land of the Angkor and our entire Cambodian fatherland from the Vietnamese aggressors.

/12766

CSO: 4212/88

28 July 1986

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

SIHANOUK ARMY OFFICIAL DISCUSSES RESISTANCE

BK270120 Bangkok BANGKOK POST in English 27 Jun 86 p 4

[Article by Jacques Bakaert]

[Text] Unity among the three Khmer resistance factions has improved considerably during recent months, according to Col Kruoch Yoeum, deputy chief of staff of the National Sihanoukist Army's [ANS] Second Brigade.

The colonel returned recently from a six-month mission inside Kampuchea where he commanded ANS troops in the March 28 battle of Battambang, which was the first genuine and significant joint operation by the resistance.

Born in 1940 in Battambang Province, Col Kruoch belongs to a generation of younger and capable officers who are being promoted through their battle experience.

On December 20 last year, Col Kruoch led a 900-strong force from his border base and through the Vietnamese frontlines in three groups. "We had no major problems," he said yesterday. "We only encountered mines, but saw no barrage, and managed to avoid the enemy for more than 150 kilometres."

After 21 days, the ANS unit reached its objective, a forest area in Battambang Province, where a mobile ANS HQ was established.

The base was attacked in early May when Vietnamese troops launched a mopping-up operation using MI-8 helicopters, ground troops and 109mm and 130mm guns. Col Yoeum claimed it failed because the narrow corridors left by the floods were heavily mined by the nationalists.

"We brought leaflets to distribute to villagers and pictures of Samdech Norodom Sihanouk to gain the confidence of the people," he said. The ANS soldiers also carried medicine to treat civilians.

ANS forces, like others operating inside Kampuchea, usually buy their food on the spot. Thai currency can be used in cities like Sisophon or Thmar Puok, where the going rate is 500 riels for 100 baht. It can also be exchanged in Battambang, but the rate is only 400 riels.

A 100-kilogramme bag of rice can cost 1,300 riels, and during the battle of Battambang, ANS troops managed to get about 100 extra bags from Vietnamese warehouses.

Col Yoeum said the main problem remains the resupply of ammunitions. Soldiers leave border bases with 300 rounds per weapon and can sometimes buy more ammunition from Heng Samrin forces.

Relations between the armed forces of the People's Republic of Kampuchea and the resistance are normally correct, said the colonel. "We have an agreement not to shoot at each other." Contacts between ANS and PRKAF are usually made through civilians.

Col Yoeum and his deputy, Major Hen Yut, gave some new details about the battle of Battambang. The operation was planned on March 26 on a Khmer Rouge initiative. The attack itself took place two days later, from midnight until 5 a.m. It involved troops from the National Army of Democratic Kampuchea [NADK], ANS and the Khmer People's National Liberation Front.

During the assault, the NADK used Chinese 107mm rockets against Vietnamese positions, and the colonel said his men were surprised by the lack of strong Vietnamese resistance.

"The enemy seemed disorganised, and quickly retreated into town," said Major Hen Yut. Vietnamese villagers living near the city also fled.

The airfield, at which there were no aircraft, the newly-built hospital, oil and ammunition depots and warehouses were attacked. Two Soviet medical officers were killed in the hospital, the colonel claimed.

Col Yoeum said he was struck by the lack of medical facilities in the province. He said the pagodas are allowed two monks each and each monk has to pay a tax of 3,000 riels a year. But many temples are closed or used for non-religious purposes. Wat Sangke is an ammunition depot, Wat Pou Veal is a Vietnamese military camp and Wat Kandal is the command post of the 704th Vietnamese propaganda unit. The three pagodas are in Sroc District, Sangke, Battambang Province.

ANS sources said routes five and six had become extremely dangerous for the Vietnamese troops. Almost one third of their logistic supplies are now flown in and the rest comes in heavily-armed convoys of 50 to 100 trucks.

Expressing confidence that his men could hold their ground, he said the closer cooperation between the factions made it now possible to engage in supporting or diversionary attacks during mopping-up operations.

The fact the resistance is now more active in many areas of Kampuchea has created another problem for the Vietnamese. "In order to launch big operations, the Vietnamese Army is now forced to bring back troops from sensitive areas, which gives us new opportunities."

Prince Norodom Rannarit said 24 ANS medical personnel were now getting special training in China. The first batch of five surgeons should return to the

battlefield soon. After the battle of Battambang, wounded ANS soldiers were treated by Khmer Rouge doctors in a field hospital some 30 kilometres east of the city. The nationalists believe it is important to send medical teams along with their troops, to boost morale and give the men confidence.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK APPLAUDS ICK AD HOC COMMITTEE STATEMENT

BK300326 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
29 Jun 86

[Station Commentary: "The Effort of the International Conference on Kampuchea Ad Hoc Committee Is an Important Contribution to the Political Settlement of the Cambodian Problem"]

[Text] On 23 June, the ad hoc committee of the International Conference on Kampuchea [ICK] of the United Nations issued a statement in New York supporting the CGDK's 8-point proposal for a political settlement of the Cambodian problem. The statement said: This 8-point peace proposal is a development that can make an important contribution to a comprehensive and lasting political settlement of the Cambodian problem, and is enjoying broad support in the world.

Also on 23 June, a delegation of the ICK ad hoc committee headed by Massamba Sarre, chairman of the committee, met and had talks with the ASEAN foreign ministers in Manila, the Philippines. The two sides unanimously held that withdrawing Vietnamese troops from Cambodia and allowing the Cambodian people to enjoy the right to decide their own destiny and to choose their own government is also the most important factor for the settlement of the Cambodian problem.

The firm and consistent support of the ICK ad hoc committee, as well as the support of the ASEAN countries and international community, for the CGDK's 8-point proposal constitutes a powerful encouragement for the entire Cambodian people and all Cambodian patriotic resistance forces fighting the Vietnamese directly on the battlefield. It is also pressure on the Vietnamese enemy aggressors, who refuse to accept this 8-point peace proposal, driving them into greater impasse and utter isolation in the international arena.

For the past more than 7 years, although the whole international community, including the United Nations, the ICK ad hoc committee, and the ASEAN countries, has been actively trying to find a political solution to the Cambodian problem, the issue has remained unsolved. This is because the Vietnamese authorities have stubbornly refused to withdraw all their aggressive troops from Cambodia and respect the Cambodian people's right to self-determination in accordance with the seven UN General Assembly resolutions and the earnest call of the international community. On the contrary, they continue to invade and occupy

Cambodia, to massacre the Cambodian people most brutally and savagely both inside the country and in the refugee camps on Thai territory, and to violate Thai border regions, causing the situation along the border to remain constantly tense. Therefore, security and stability in Southeast Asia continue to be constantly threatened and the danger that the Vietnamese war of aggression in Cambodia might spread to the rest of the region continues to be ever-present.

Therefore, Vietnam's war of aggression in Cambodia threatens not only the existence of the Cambodian nation and people alone, but also peace, stability, and the interests of countries in the region and the world as well. For this reason, the international community, especially the countries in the region and countries having interests in the region, is seeking by all means and methods to settle the Cambodian problem politically by trying to completely end Vietnam's military presence in Cambodia. However, the Hanoi enemy aggressors have rejected all proposals and efforts of the international community, especially those of the United Nations and ASEAN countries, to settle the Cambodian problem politically. Recently again, when the CGDK put forward the 8-point proposal for a political settlement of the Cambodian problem with so many concessions to the Hanoi authorities, the latter continued stubbornly to reject this reasonable proposal.

This shows the obduracy of the Hanoi authorities who have no sincerity in settling the Cambodian problem politically and want to occupy Cambodia forever. In the face of this Vietnamese stubbornness, the international community clearly sees the necessity to carry on its efforts, especially to continue supporting the CGDK's 8-point proposal and bring pressure to bear on Vietnam to accept this proposal and agree to hold negotiations for a political settlement of the Cambodian problem by immediately and unconditionally withdrawing all Vietnamese troops from Cambodia, for only after Vietnam withdraws all its troops from Cambodia can the Cambodian problem be settled, can the Cambodian people enjoy the right to self-determination, and can peace and stability be restored in Cambodia and Southeast Asia.

The Cambodian people and the DK National Army are confident that the ICK ad hoc committee, whose mission is to find a solution for the Cambodian problem according to the UN resolutions and the ICK declaration, will continue making efforts and conducting activities in the international arena together with all peace- and justice-loving countries the world over, bringing greater pressure to bear on the Hanoi authorities to accept the CGDK's 8-point peace proposal and, in addition to the struggle of the Cambodian people and DK National Army now vigorously fighting the Vietnamese directly on the battlefield, forcing the Hanoi authorities to withdraw all their troops immediately and unconditionally from Cambodia, allowing the Cambodian people to decide their own destiny without any outside interference or pressure.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK: 300 SRV TROOPS DESERT FROM SISOPHON BATTLEFIELD

BK300456 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
29 Jun 86

["News Commentary": "Three Hundred Vietnamese Soldiers Positioned at Anlung Thmar on the Sisophon Battlefield South of Route 5 Abandon Their Base and Flee Home"]

[Text] On 21 June 300 Vietnamese soldiers positioned in Anlung Thmar base on the Sisophon battlefield south of Route 5 fled en masse back to Vietnam. On the way back home, they begged our people for rice and food and told our people that on the South Sisophon battlefield at present many Vietnamese soldiers are being killed or wounded daily by the attacks, raids, and constant shellings of our DK National Army. As for their living conditions on the western Cambodian battlefield, they generally suffer from all kinds of shortages. They lack food, medicine, and ammunition because the supply lines linking them to the interior have been cut repeatedly by guerrillas and Vietnamese transportation convoys have been regularly ambushed. Moreover, during the current rainy season malaria and typhoid fever are plaguing more than half of each Vietnamese garrison. Vietnamese soldiers are dying like flies in these conditions. They asked our people for information about the roads to take in their trek back to Vietnam to avoid being caught or shot dead by their cruel commanders. They said that they refused to stay and fight under such miserable conditions because they would inevitably be killed one way or another. They said that Vietnamese soldiers on the South Sisophon battlefield as well as on all other battlefields in western Cambodia have lost all their fighting spirit. All are looking for an opportunity to flee to Vietnam. The problem for them is that they do not know the way.

This revelation by the Vietnamese soldiers reflects the demoralization, despair, and weariness of the Vietnamese aggressor troops in western Cambodia as well as on the Cambodian battlefield as a whole. Moreover, it also clearly reflects the general situation of the Vietnamese enemy on the Cambodian battlefield which is increasingly difficult and completely contrary to the Hanoi authorities' boast that their troops are the masters of the battlefield and are in complete control of Cambodia.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK CONDEMNS SRV REJECTION OF ASEAN'S CALL

BK020325 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
1 Jul 86

[Station Commentary: "The World People Have Seen Clearly the Cruelly and Truculently Aggressive and Expansionist Face of the Hanoi Authorities"]

[Text] During their recent meeting, the ASEAN foreign ministers and their economic partners jointly condemned the Vietnamese aggression against Cambodia, voiced their support for the CGDK's 8-point proposal, and demanded that Vietnam reconsider this proposal. The Hanoi Vietnamese enemies were very enraged by this. Both the Vietnamese press and radio have kept denouncing and rejecting this correct call by the ASEAN nations and their economic partners in a most truculent and arrogant manner. The Vietnamese propaganda apparatus even said that it is unreasonable for the ASEAN countries to demand the withdrawal of Vietnamese troops from Cambodia and that the situation in Cambodia is irreversible.

This is truly an arrogant and truculent statement uttered by the Hanoi Vietnamese aggressors. Despite the fact that they have committed an unpardonable and unacceptable act in sending hundreds of thousands of troops to invade and occupy Cambodia in gross violation of the UN Charter and international law, the Vietnamese aggressors dare condemn others as being unreasonable in demanding the withdrawal of their aggressor troops from Cambodia and calling for respect for the Cambodian people's right to self-determination in accordance with UN resolutions. So it means that their aggression and occupation of Cambodia and their crimes in massacring the Cambodian people in a most cruel and barbarous manner are reasonable acts. This is the aggressive and expansionist logic of the Hanoi Vietnamese enemies.

The 6 ASEAN countries and their 17 economic partners--totaling 23 countries--as well as the world community have all supported and praised the CGDK's 8-point proposal as an appropriate and broad plan for a political settlement of the Cambodian problem because this proposal sets forth measures to achieve an all-round settlement of the Cambodian problem and is quite concessionary to the Vietnamese as it takes into account the interests of both the Cambodian and Vietnamese people. However, the Hanoi authorities have denounced these countries. Immediately after this 8-point proposal was made public and supported actively by the world community, the Hanoi authorities rejected it without

having considered this proposal thoroughly. They condemned the ASEAN countries and their economic partners immediately after these countries called on them to reconsider their rejection.

All these acts by the Hanoi authorities clearly show that they are unwilling to solve the Cambodian problem through political means. On the contrary, they have stubbornly carried on their war of occupation against Cambodia, setting up an Indochinese federation, and continuing their strategy of aggression and expansion against Southeast Asia. However, these acts have enabled the whole world to see more clearly that the Vietnamese enemies' diplomatic moves concerning their desire to hold negotiations on the Cambodian and Southeast Asian problems is just a deceitful maneuver aimed at diverting world public opinion, easing the world's anger, and luring the people in this region and elsewhere around the world to stop pressuring Vietnam to withdraw its troops from Cambodia.

Such obstinate and truculent acts by the Vietnamese enemy aggressors will only enrage the countries in this region and the entire world community even more. They will certainly oppose the Vietnamese enemies even more vigorously. The Vietnamese enemies will certainly become more extremely isolated in the international arena. At the same time, the world community will certainly continue to put stronger pressure on Vietnamese authorities in order to force them to reconsider and accept the CGDK's 8-point proposal and agree to negotiate to solve the Cambodian problem through political means by withdrawing all their troops unconditionally from Cambodia, thus allowing the Cambodian people to decide their own destiny without any outside interference.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VONADK ROUNDS UP SRV CASUALTIES FOR JUNE

BK020150 (Clandestine) Voice of the National Army of Democratic Kampuchea in
Cambodian 2315 GMT 1 Jul 86

[Roundup of June battle results]

[Text] 1. Koh Kong-Kompong Som battlefield: We killed 97 and wounded 84 Vietnamese enemy soldiers for a total of 181 casualties.

2. Leach-Peam Ta battlefield: 215 killed and 268 wounded. Total: 483 casualties.

3. Samlot battlefield: 71 killed and 73 wounded. Total: 144 casualties.

4. Pailin battlefield: 255 killed and 306 wounded. Total: 561 casualties.

5. South Sisophon battlefield: 213 killed and 164 wounded. Total: 377 casualties.

6. North Sisophon battlefield: 54 killed and 70 wounded. Total: 124 casualties.

7. Battlefields around Battambang Town: 50 killed and 63 wounded. Total: 113 casualties.

8. Siem Reap-Route 6 battlefield: 100 killed and 149 wounded. Total: 249 casualties.

9. Preah Vihear battlefield: 24 killed and 16 wounded. Total 40 casualties.

10. Kompong Thom-Kompong Cham battlefield: 113 killed and 130 wounded.
Total: 243 casualties.

11. Mounge-Pursat battlefield: 92 killed and 89 wounded. Total: 181 casualties.

12. Kompong Chhnang battlefield: 64 killed and 53 wounded. Total: 117 casualties.

13. Tonle Sap battlefield: 15 killed and 17 wounded. Total: 32 casualties.

14. Northwest Phnom Penh battlefield: 52 killed and 66 wounded. Total: 118 casualties.

15. North Phnom Penh battlefield: 10 killed and 15 wounded. Total 25 casualties.

16. Northeast and eastern battlefield: 19 killed and 25 wounded. Total: 44 casualties.

17. Southwest battlefield: 191 killed and 250 wounded. Total: 441 casualties.

In sum, in June we killed 1,735 Le Duan Vietnamese soldiers and wounded 1,838 others for a total of 3,573 casualties [all figures as heard].

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

ROUNDUP OF VONADK BATTLE REPORTS 26 JUN-3 JUL

BK040240 [Editorial Report] (Clandestine) Voice of the National Army of Democratic Kampuchea broadcast the following battle reports during the reporting period 27 June-3 July:

According to VONADK at 2315 GMT on 27 June, DK forces dismantled the Vietnamese village and commune administrative networks in Stoeng Trang District on 23 June, in Sisophon District on 14 June, Santuk District on 21 June, and in Moung District on 20 June; ambushed a Vietnamese truck convoy in Battambang Province on 19 June; attacked a Vietnamese company position in Cheung Prey District on 19 June; and conducted guerrilla activities on Kompong Cham, South Sisophon, Kompong Thom, Moung-Pursat, Battambang, Pailin, and Route 4 battlefields between 13 and 23 June. They killed 69 Vietnamese soldiers; wounded 62 others; dismantled 4 commune and 5 village administrative networks; destroyed 2 commune office buildings, 7 weapons, 7 trucks, 1 C-25 radio, and 5 barracks; seized some weapons and war material; and liberated 3 villages on South Sisophon battlefield and 14 villages on Moung-Pursat battlefield.

VONADK at 2315 GMT on 29 June reports that DK forces attacked Sandan District seat in Kompong Thom province on 24 June; attacked and dispersed commune and village administrations in Cheung Prey District on 25 June, in Sandan District on 25 June, and in Udong District on 22 June; and conducted various other actions on the Leach, Northwest Phnom Penh, Western Leach, Peam Ta, Pailin, and South Sisophon battlefields, killing 37 and wounding 42 Vietnamese soldiers; destroying 1 district seat; dispersing 1 commune and 16 village administrations; destroying 52 guns, 2 trucks, 1 commune office building, 1 garment warehouse, 1 rice storehouse, 6 barracks, and some ammunition and war material; and liberating 5 villages in Cheung Prey District.

VONADK at 2315 GMT on 30 June reports that DK forces attacked the Vietnamese commune and village administrative networks in Sangke District on 21 and 25 June, in Samraong Tong District on 25 June, and in Kong Pisei District on 15 June; ambushed Vietnamese trucks on Route 4 on 21 and 23 June; attacked a Vietnamese company unit on South Sisophon battlefield on 24 June; and conducted various other activities on the Western Leach, East Battambang, Northwest Phnom Penh, Kompong Speu, Route 4, South Sisophon, Pailin, and Koh Kong Leu battlefields from 15 to 25 June, killing or wounding 142 Vietnamese soldiers; destroying 2

commune and 4 village administrative networks, 9 weapons, 1 commune office building, 3 trucks, and 3 barracks; seizing 3 weapons and some war materials; and liberating 9 villages on East Battambang battlefield.

According to VONADK at 2315 GMT on 1 July, DK forces attacked the Vietnamese administrative networks in communes and villages on Tonle Sap battlefield on 23 June, on Northwest Phnom Penh battlefield on 24 June, on Moung-Pursat battlefield on 27 June, on Kompong Chhnang battlefield on 16 June, on Kampot battlefield on 24 June, on Kompong Som battlefield on 20 June, and on South Battambang battlefield on 26 June; ambushed a Vietnamese truck in Toek Phos District on the Kompong Chhnang battlefield on 25 June, a Vietnamese truck along Route 19 on Ratanakiri battlefield on 15 June, a Vietnamese platoon unit on Chhep battlefield on 26 June, a Vietnamese battalion moving from Svay Cheat to Boeng Sinuon on the Chhep battlefield on 24 June, 2 Vietnamese platoon units in Sangke District on Battambang battlefield on 27 June, and a group of Vietnamese soldiers west of Sung On Samlot battlefield on 21 June; and conducted other actions on Moung-Pursat, Samlot, Koh Kong Leu, South Sisophon, Chheap, Ratanakiri, Kampot, Battambang, and Kompong Chhnang battlefields between 19 and 27 June, including the results of their activities on all battlefields in June, killing 1,801 and wounding 1,894 Vietnamese soldiers; destroying 4 commune and 10 village administrations, 27 assorted weapons, 1 commune office building, 1 rice milling machine, 3 trucks, 1 boat, 8 barracks, 1 guard post, and some ammunition and war material; seizing 3 guns; and liberating 2 villages on Tonle Sap battlefield and 2 villages on the Moung-Pursat battlefield.

VONADK at 2315 GMT on 2 July reports that DK forces attacked Thpong District seat on Northwest Phnom Penh battlefield on 27 June; raided Vietnamese administrative networks at villages and communes in Baray District on Kompong Thom battlefield on 12 June, in Kompong Leng District on Tonle Sap battlefield on 13 and 20 June, on North Battambang battlefield on 26 June, on East Battambang battlefield on 26 and 29 June, and on West Battambang battlefield on 27 June; ambushed and dispersed a Vietnamese regiment unit in the vicinity of Stoeng Sangke and Stoeng Chas riverbanks on Battambang battlefield on 24 and 25 June, a Vietnamese company unit moving from Sdau to Svay Chek on Pailin battlefield on 28 June, and a group of Vietnamese soldiers north of Hill 492 on Koh Kong Leu battlefield on 29 June; and conducted other activities on Northwest Phnom Penh, Koh Kong Leu, North Sisophon, and Tonle Sap battlefields between 19 and 29 June, killing or wounding 112 Vietnamese soldiers; destroying 3 commune and 12 village administrative networks, 38 assorted guns, 1 truck, 3 war material warehouses, 4 barracks, 1 guard post, and some ammunition and war material; seizing 19 guns; and liberating 11 villages on Kompong Thom battlefield, 5 villages on Tonle Sap battlefield, 4 villages on North Battambang battlefield, and 2 villages on West Battambang battlefield.

VONADK at 2315 GMT on 3 July reports that DK forces attacked the Vietnamese administrations at a commune and village on West Battambang battlefield on 29 June and on Kampot battlefield on 25 June and conducted various other activities on Samlot, Kampot, and South Sisophon battlefields between 20 and 30 June, killing or wounding 55 Vietnamese soldiers; destroying the Vietnamese administrations at a commune and a village, 17 guns, 1 truck, and some ammunition and war material; and liberating 4 villages on West Battambang battlefield.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK REVIEWS DK FORCES' ACTIVITIES IN KOMPONG THOM

BK060702 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
5 Jul 86

[Station Commentary: "Our National Army and People in Kompong Thom Province Are Uniting in Fighting Actively Against the Vietnamese Enemy Aggressors Using the 5-Point Fighting Method"]

[Text] Kompong Thom Province is a strategic area. It is a key point through which the Vietnamese supply weapons and food to the Vietnamese soldiers in western and northern Cambodia. It is also an area rich in paddy, rice, and fish. Like other provinces around the Tonle Sap Lake, Kompong Thom is a province to which the Vietnamese have paid great attention for its defense on the one hand to supply war material to their forces in western and northern Cambodia, and on the other, to plunder our people's resources to feed their troops in those areas. However, our National Army and people in Kompong Thom Province have valiantly cooperated in fighting the Vietnamese enemy aggressors and transformed the entire province into a hot battlefield to prevent the Vietnamese from supplying their forces and plundering our people's resources at will.

In the past dry season, our National Army has cooperated with our people and Cambodian soldiers and compatriots in sweeping and dismantling Vietnamese administrative authorities in communes and villages time and time again throughout the entire province. The Vietnamese have been in a constant state of confusion and panic. Kompong Thom Town in particular has been attacked many times by our National Army and people who scored resounding victories. In the current rainy season, despite difficulties caused by floods, our heroic National Army and people in Kompong Thom Province still continue to attack the Vietnamese relentlessly using our new 5-point fighting method. We are not allowing the Vietnamese any breathing space. News of attacks to dismantle commune and village administrative networks and to destroy Vietnamese positions and reports on ambushes and attacks to thwart various Vietnamese operations are heard almost daily.

On 25 May, our National Army ambushed the Vietnamese between Thnaot and Bos Cheng villages along Route 12, killing or wounding five enemy soldiers. On 26 May, our National Army attacked and dismantled Vietnamese administrative networks in Chey Commune in Kompong Svay District, liberating three villages. On

27 June, our National Army attacked a Vietnamese platoon position in Pou Village in Santuk District, killing or wounding 10 enemy soldiers. On 1 June, our National Army attacked and dismantled Vietnamese commune administrative networks in Chamna, Dang Anteak, and Kompong Svay in Kompong Svay District and liberated three villages. Also on 1 June, our National Army attacked and dismantled Vietnamese administrative authorities in Prasat, Bek Chan, Trayang Toch, Boeng Veng, and Kradas villages in Santuk District. On 4 June, our National Army attacked and dismantled Vietnamese commune authorities in Kompong Thmar in Baray District, liberated four villages, and killed or wounded nine enemy soldiers. On 8 June, our National Army exploded mines between Kul Thnaot and Arak villages, killing or wounding eight Vietnamese soldiers. On 12 June, our National Army cooperated with Cambodian soldiers in attacking and destroying a Vietnamese position in Kompong Thmar in Baray District; 10 Vietnamese soldiers were killed or wounded in the battle. On 12 June, we attacked and dismantled Vietnamese administrative authorities in Prek Dam, Balang, and Chranieng villages in Balang Commune in Baray District. On 14 June, our National Army ambushed a Vietnamese regiment at Bos Thlan on the Kompong Thom battlefield, killing or wounding 35 enemy soldiers. On 16 June, we routed an attack by a Vietnamese battalion along the Chinit River, killing 10 and wounding 12 enemy soldiers. On 18 June, our National Army smashed a Vietnamese battalion which attacked us at the junction of Route 21 in Baray District, killing or wounding 12 enemy soldiers. On 25 June, we attacked and dismantled Vietnamese administrative network in Krabei Riel Commune in Baray District, killing or wounding a number of Vietnamese soldiers, seizing 15 weapons, and liberating 11 villages.

So, this rainy season, as in the past dry season, our National Army and people in Kompong Thom Province have carried out their tasks very well. They continue to cause confusion by attacking the Vietnamese relentlessly. This clearly shows that our National Army and people in Kompong Thom Province, like our National Army and people throughout the country, will not allow any part of our Cambodian territory to be used as base to serve the Vietnamese war of aggression in Cambodia. The reason for this fine achievement by our National Army is the good implementation of the 5-point fighting method and unity and cooperation among the three forces. This 5-point fighting method and unity and cooperation of the three forces are very effective. The Vietnamese cannot resist this. It will create more confusion among the Vietnamese.

Based on this good experience, our National Army will continue to implement the 5-point fighting method coupled with the unity and cooperation of the three forces more actively and enthusiastically to confuse the Vietnamese enemy aggressors even more until they can no longer stay in Cambodia.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK CITES UN OFFICIAL BLAMING SRV STUBBORNNESS

BK070444 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
6 Jul 86

[Station Commentary: "The Hanoi Vietnamese Enemy Aggressors Stubbornly Persist in Occupying Cambodia Forever"]

[Text] On 3 July, Rafiudin Ahmed, deputy UN secretary general, who has just returned from talks with Vietnamese Foreign Minister Nguyen Co Thach in Hanoi, said during a meeting with Thai Deputy Prime Minister and Foreign Minister Sitthi Sawetsila that Vietnam has not changed its attitude on the Cambodian issue and has not shown any flexibility toward the CGDK's 8-point proposal. Vietnam still insists that people accept its conditions, namely the demand that Democratic Kampuchean forces--which are the major forces fighting the Vietnamese aggressors on the battlefield and dealing serious blows to the Vietnamese--be eliminated. This is a maneuver of the Hanoi Vietnamese aggressors in an attempt to discard Democratic Kampuchea, which is a pin sticking across the Vietnamese throat for the past more than 7 years and preventing the Vietnamese from annexing Cambodia.

With the backing of their Soviet masters, the Vietnamese have, for the past more than 7 years, been doing their best to try to get rid of this iron pin from their throat through military means to completely annex Cambodia. However, the Vietnamese have failed in their criminal goal through military means. The more they try the more the iron pin penetrates deeper and deeper in the Vietnamese throat. This is why the Vietnamese have resorted to political means by imposing this or that condition and demanding that the international community assist them in getting rid of and eliminating the Democratic Kampuchean iron pin, as they have failed to do so through military means.

This has shown the world even more clearly the real stubborn and insolent nature of the Vietnamese aggressor clique. People realize that the Vietnamese have no desire of resolving the Cambodian issue politically despite their constant propaganda of wanting peace and holding talks to resolve Cambodian and regional issues. The only goal of the Vietnamese is to occupy Cambodia forever, to annex and include it into their rotten Indochinese federation and use it as a stepping stone toward committing further aggression and expansion in Southeast Asia. That is why when the international community supports the CGDK's 8-point proposal to resolve the Cambodian issue politically and demands that the Hanoi

Vietnamese consider and accept the proposal, the Vietnamese have ludicrously rejected it. They insist that their unreasonable conditions are met instead.

However, the world clearly realized that the Vietnamese are brutal aggressors and expansionists who have barbarously flaunted international law and the UN Charter. Therefore, the Vietnamese have no right to impose any conditions on the Cambodian people or the international community. They should unconditionally and immediately withdraw all their aggressor forces from Cambodia. As long as the Vietnamese clique stubbornly refuses to unconditionally withdraw its forces from Cambodia, people will continue to pressure the Vietnamese to contribute to the Cambodian people's struggle in forcing the Vietnamese to accept the CGDK's 8-point proposal to resolve the Cambodian issue politically by withdrawing all their forces immediately and unconditionally from Cambodia.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK REVIEWS DK FORCES' RAINY SEASON ACTIVITIES

BK080430 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
7 Jul 86

[Station commentary: "This Rainy Season, Our National Army's Activities To Attack and Dismantle the Vietnamese Enemy Village and Commune Administrative Authorities Are Vigorous and Systematic Throughout the Country"]

[Text] This rainy season, the activities of our National Army to attack and dismantle Vietnamese commune and village authorities are being carried out throughout the country. In the five provinces around the Tonle Sap--an area with rich resources and a large population and a strategic area in military terms in western Cambodia--our National Army is still attacking and dismantling Vietnamese commune and village authorities time and time again further unsettling the already shaken Vietnamese administrative authorities.

In Sangke District, Battambang Province, we have attacked and dismantled Vietnamese village and commune authorities from Reach Don Kev to Bak Rotes Village, liberating 12 villages; we did this in Vat Samdech, Prasat Sangke, and Svay Sar and another 5 villages in Ta Pon Commune; in Krakaoh and Chea communes in Mounng District, liberating 12 villages; in Kop Commune in Sisophon District, liberating 3 villages; in Phnum Toch Commune in Mongkolborei District, liberating 9 villages; in Tang Krasau, Chey, and Krava communes in Kompong Thom Province, liberating 8 villages; and in Baray Commune, Baray District, liberating 5 villages. We attacked the Sandan District seat and dismantled Vietnamese administrative networks in 12 villages in this district; we did this in Peam Chhkaok Commune along the Tonle Sap River below Kompong Chhnang Town, liberating 2 villages; in Baribo District, Kompong Chhnang; in Sereisamakki and Kulen villages along the Tonle Sap River in Kriel Commune, Kompong Leng District; and so on.

On the battlefield northwest of Phnom Penh, our National Army continues to attack and dismantle Vietnamese administrative networks in villages and communes. We did this in Trapeang Chuo and Ta Khoam villages in Veal Pon Commune, Thpong District; in Peang Lvea Commune; in Andong Chros Village in Trach Tong Commune, Udong District; and in Amleang Commune; and so on.

In other provinces, particularly in Kompong Cham, Kompong Speu, Kampot, and Takeo, these activities against the Vietnamese enemy are still being vigorously carried out. In Kratie, Stung Treng, Mondolkiri, and Ratanakiri provinces, our

National Army continues to attack and dismantle Vietnamese administrative authorities in communes and villages.

In sum, by this rainy season, our activities to dismantle Vietnamese commune and village administrative authorities have been vigorously and systematically carried out throughout the country. This is a good development of our struggle. This progress is generally steady and firm. These activities to attack and dismantle Vietnamese village and commune administrative authorities are very important because they destroy the basic roots of the Vietnamese war of aggression in Cambodia in every field, political, military, and economic. This will bring the Vietnamese down in every field. As for us, we have been making steady progress in every field. Can the Vietnamese enemy aggressors resist these numerous attacks by our forces?

At the end of the eighth dry season, the Vietnamese pulled back a large number of their troops to resist us in the interior of the country, particularly around Battambang Town, Phnom Penh, and on the first group of battlefield in general. However, the Vietnamese could not resist us. In the future, if the Vietnamese continue to withdraw more troops from the border, they will leave gaps along the border. And if they pull back and deploy their forces in villages and communes to resist our guerrillas, they will become weaker. And this would make it easy for us to attack the Vietnamese. Therefore, the Vietnamese are in an unsettled situation; wherever they turn, the Vietnamese face conflicts. These are between massing and deploying troops and between pulling troops from the border to defend the interior and leaving them at the border and leaving gaps in the interior. These conflicts will widen further; the Vietnamese cannot resolve them. The direction of the Vietnamese is toward further loss of initiative until they cannot stay in Cambodia.

Our National Army will continue to attack and dismantle the Vietnamese village and commune administrative networks and implement our new 5-point fighting method to weaken and bleed the Vietnamese enemy aggressors further on the Cambodian battlefield until they can no longer stand it and agree to resolve the Cambodian issue politically as proposed by the CGDK's 8-point plan.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

VODK COMMENTARY ON COMING NONALIGNED SUMMIT

BK090402 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT
8 Jul 86

[Station Commentary: "Hoping That the Nonaligned Summit Conference in Harare Will Consolidate the Nonaligned Movement's Fundamental Principles"]

[Text] The nonaligned countries will hold their eighth summit conference in Harare, Zimbabwe, at the beginning of September. Many genuinely nonaligned countries, including Democratic Kampuchea, hope that this conference will consolidate the movement's fundamental principles and rectify a number of its unjust acts. During the sixth summit conference, in Havana in 1979, Cuba--an ally of the Soviet and Vietnamese aggressors--committed a perversely erroneous act in gross violation of the nonaligned principles. That year, the Hanoi authorities, whose country is a member of the Nonaligned Movement, sent hundreds of thousands of troops to invade and occupy Democratic Kampuchea--another member of the Nonaligned Movement--arrogantly and truculently violating the Nonaligned Movement's fundamental principles. At that time, Cuba--an ally of Vietnam--uttered no condemnation of the Hanoi Vietnamese aggressors for this aggressive act. On the contrary, Cuba was in collusion with Vietnam and used its power as the host country to expel Democratic Kampuchea--a victim of the Vietnamese authorities' gross and barbarous aggression--from its seat. Cuba did this in a gross violation of the nonaligned principles, particularly the principle of consensus, and against the will of the majority of genuinely non-aligned countries. This gross act by Cuba so enraged all the genuinely non-aligned countries that some of them withdrew from the movement.

During the seventh summit conference, in New Delhi in 1983, India which is also an ally of the Soviet Union and Vietnam colluded with its allies and used an unreasonable pretext to prevent the Democratic Kampuchean delegation from attending the summit and even left the Democratic Kampuchean seat vacant. Since then, the influence of the Nonaligned Movement has been in serious decline because Vietnam, Cuba, and India and their handful of allies have kept trampling upon and destroying the sacred principles of the movement and diverted the movement toward serving the Soviet international expansionists' global military goals. This is a regrettable act which runs totally counter to the aspirations and goals of the founders of our movement.

Now that the eighth summit conference is drawing near, many nonaligned countries who are unhappy with the perverse acts committed by Cuba, India, and

Vietnam have called on this summit conference to strengthen the nonaligned principles so that the movement will be able to play its role of defending world peace and the norms governing international relations, thus preventing a handful of countries--Vietnam, Cuba, India, and their allies--from diverting the movement to serve the Soviet Union's aggressive and expansionist policy. This is in order to restore the influence and prestige of the Nonaligned Movement.

The genuinely nonaligned countries have also called on the Nonaligned Movement to place the Cambodian problem, the Afghanistan problem, and various other important international issues on the agenda of this summit and to give justice to the victim, that is, to restore Democratic Kampuchea's seat which was unjustly withdrawn by Cuba in 1979.

As for Democratic Kampuchea, which is one of the most loyal original members of the Nonaligned Movement and which has strictly abided by the principles of the movement, it sincerely hopes that the eighth summit conference to be held in Harare will strengthen and maintain the sacred principles of the Nonaligned Movement for defending the interests of all member-countries. No one should be allowed to divert the movement toward serving the interests and ideals of any bloc. Democratic Kampuchea hopes that Zimbabwe--the host country and a genuinely nonaligned country--will join with the many other genuinely non-aligned countries in working for justice for Democratic Kampuchea and do anything possible to quickly restore Democratic Kampuchea's seat in this movement.

/12766

CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

SFRY'S MOJSOV SENDS MESSAGE OF THANKS TO KHIEU SAMPHAN

BK090245 (Clandestine) Voice of the National Army of Democratic Kampuchea in
Cambodian 2315 GMT 8 Jul 86

[25 June message from Lazar Mojsov, vice president of the presidency of the
Socialist Federal Republic of Yugoslavia, to Khieu Samphan, vice president of
Democratic Kampuchea in charge of foreign affairs]

[Text] Your Excellency:

I am very happy to receive a congratulatory message from you on my election as
the vice president of the SFRY presidency. I thank you for the message. I
would like to extend best wishes to the friendly Cambodian people and express
my conviction in the fruitful relations of our two nonaligned countries.

I would like also to reiterate Yugoslavia's firm and total support for the Cam-
bodian people's just cause for national liberation and the efforts to seek a
peaceful and political solution to the serious problem of your country.

[Signed] Lazar Mojsov
Vice President of the Presidency
The Socialist Federal Republic of Yugoslavia

/12766
CSO: 4212/88

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

BRIEFS

VONADK: SOLDIERS MUTINY--On 18 June, a unit of Cambodian soldiers in Kompong Thom Town mutinied, destroying 3 ammunition and weapons warehouses of the Vietnamese enemy at Thommayut monastery, and killing 4 and wounding 16 Vietnamese soldiers. They burned down a Vietnamese weapons depot containing 150 assorted weapons and 2 ammunition depots containing 30 metric tons of ammunition, which was burning and exploding throughout the night and until the morning of 20 June. This is the patriotic and nationalist spirit of Cambodian soldiers and compatriots in Kompong Thom Town. It is a new event of Cambodian soldiers and compatriots in Kompong Thom Town after other major events of 8 June and 15 and 16 May. Other Cambodian soldiers in Kompong Thom Town and throughout the country, please follow the example of Cambodian soldiers in Kompong Thom Town who have freed themselves, destroyed many Vietnamese weapon and ammunition depots, and killed Vietnamese soldiers. [Text] [(Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 27 Jun 86 BK]/12766

VONADK: SRV CONVOY AMBUSHED--West Battambang battlefield: On 19 June, our national Army ambushed a Vietnamese ammunition convoy leaving Battambang for Pailin east of (Anhchey). The 7-truck convoy was destroyed on the spot. We killed 26 Vietnamese soldiers on the trucks and wounded 12 others and destroyed all the ammunition in the trucks. [Excerpt] [(Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 27 Jun 86 BK]/12766

VONADK: SANDAN DISTRICT CAPITAL HIT--The Kompong Thom battlefield: On the night of 24 June our national Army attacked the Vietnamese aggressors in Sandan District capital from three directions. The first prong hit the Sandan District administrative seat; the second hit the Vietnamese enemy's material warehouse on the bank of the Sen River; and the third hit the residence of the Sandan District chief. After 20 minutes of fighting, we killed 6 and wounded 10 Vietnamese soldiers, 1 textile warehouse with 300 rolls of cloth, 1 rice storehouse with 110 sacks of rice, 6 barracks, and some material. We seized 2 AK's, 1 map, and some war material. [Excerpt] [(Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 29 Jun 86 BK]/12766

CSO: 4212/88

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

USSR JOURNAL INTERVIEWS NGUYEN CO THACH

AU310600 Moscow PROBLEMY MIRA I SOTSIALIZMA in Russian No 5 May 1986
(Signed to press 8 Apr 86) pp 66-69

[Interview given to the journal PROBLEMY MIRA I SOTSIALIZMA by Nguyen Co Thach, candidate member of the Central Committee Politburo of the Communist Party of Vietnam [CPV], minister of foreign affairs of the Socialist Republic of Vietnam: "On the Course of Peace, on the Good-Neighborliness"—date and place not given; passages between slantlines, comprising the editorial introductory note, published in boldface]

[Text] /The course of history more and more insistently demands the development of constructive and creative interaction of states and peoples on the scale of the entire planet. This idea strikingly resounded once again recently in the CPSU Central Committee's Political Report to the 27th CPSU Congress and was supported in their statements by many foreign guests of the congress. The urgent need for the just and peaceful settlement of hotbeds of tension in Southeast Asia and for developing good-neighborly and mutually beneficial relations between the states of the region was noted in several statements. "The world needs peace; every region in every continent or ocean needs it," Comrade Le Duan, general secretary of the Central Committee of the Communist Party of Vietnam, has pointed out. "...The time has come for Southeast Asia to develop a dialogue between the states and countries of Indochina and ASEAN member-countries to solve the existing problems between them. Vietnam consistently struggles for this in close unity with Laos and Kampuchea. Southeast Asia should be turned into a zone of peace, stability, friendship, and cooperation." (Footnote 1) (NHAN DAN, 27 February 1986)

/The journal's editors have asked Comrade Nguyen Co Thach, minister of foreign affairs of the Socialist Republic of Vietnam, (SRV) to reveal the essence of Vietnam's foreign policy at the present historical stage and its interconnection with the policies of other countries of Indochina./

[Journal] Comrade Minister, the conversation obviously should begin by addressing the basic principles of the SRV's foreign policy course.

[Nguyen Co Thach] The international activity of our party and state reflects the profound need of the entire Vietnamese people to live and work in peace, build the socialist society, and defend their freedom and

independence and the achievements of the revolution. We work out our foreign policy on the basis of the Marxist-Leninist teaching which Comrade Ho Chi Minh developed in relation to our conditions, and by combining in this policy the principles of socialist patriotism and internationalism.

Every unbiased person who is acquainted with the difficult and truly dramatic history of our country even only in general terms, will understand the sincerity of the Vietnamese people's peace-loving aspirations. In the course of many centuries foreign conquerors tried more than once to enslave our homeland and annex its territory, and every time the freedom-loving Vietnamese people were forced to interrupt their peaceful work and take up arms for their struggle. As far as our side was concerned, these were just defensive wars for our right to continue to be masters on our land and to independently determine our own fate.

In the middle of the last century Indochina became an object of the pretensions of big capitalist states. The French were masters here for nearly a century. During World War II they were replaced by the Japanese. The rout of Hitlerite fascism and Japanese militarism created the conditions for the victory of Vietnam's August Revolution in 1945. The people's power began to implement democratic transformations. The possibility was created for living in peace and security and following the path of socioeconomic progress. However, this development of events did not suit the calculations of the forces of world imperialism and reaction. All four postwar decades have been a period of heavy trials for us.

The Democratic Republic of Vietnam had been only just proclaimed when the French invaded the country with their expeditionary corps to restore their own power. After the rout of the French interventionists and the signing of the Geneva agreements on Indochina in 1954, the United States launched an attempt to occupy the country. Following a policy of neo-colonialism, it unleashed an aggressive war in Indochina. The American Army threw an enormous military force against our peoples, using five times more bombs and shells than in World War II. The U.S. aggression brought uncounted sufferings to Vietnam and took a toll of a multitude of victims among the country's peaceful inhabitants. As is known, this time, too, we held out and won. Our motherland was again independent and united.

But even after the expulsion of American occupiers we have been unable to take full advantage of the fruits of the long-awaited peace. In the second half of the 70's the Pol Pot terrorist clique that had captured power in neighboring Cambodia and was encouraged from abroad, embarked on a course of confrontation with Vietnam. In 1979 China carried out an armed aggression against us and since then it has continued combat operations on the Vietnamese-Chinese border to this day.

I think that these and many other circumstances explain completely and unequivocally what our people want: peace and again peace, and normal conditions for the country's rebirth and for building a happy life.

[Journal] What tasks is Vietnam setting for itself as a participant in the movement of peace-loving forces of the planet?

[Nguyen Co Thach] We indissolubly link the struggle for peace with the struggle for national independence, democracy, and socialism. The stronger the positions of world socialism, the international communist and workers movement, and the national liberation forces are, the greater is the confidence that the attempts of the imperialist circles to start armed conflicts anywhere, including in Southeast Asia, will be thwarted.

The successes achieved by Vietnam's revolution as well as the entire social progress of the 20th century would have been impossible without the Great October Revolution that started the transition from capitalism to socialism. Unlike imperialism, which tries to stop the march of history with force and bring back the past, socialism, acting of its own free will, has never linked its future with military solutions of international problems, that is, solutions that would be oriented toward the past.

Thanks to joint actions of the socialist states and all peace-loving forces, mankind has not experienced a world war for 4 decades now. This fact raises hopes that it will continue to be possible to solve the existing disagreements between states and social systems with political methods.

However, it is impossible to overlook the fact that we face an enormous danger, the threat of a nuclear war that could annihilate all life on earth. The international situation has grown more tense than ever before as a result of the policy of the bellicose right-wing capitalist circles headed by U.S. imperialism. They strive to upset the military-strategic balance that has come about between the USSR and the United States, to extend the arms race to outer space, and to impose their own will on sovereign states by grossly interfering in their internal affairs.

Averting a nuclear catastrophe is the most urgent task of mankind. The people of Vietnam also see this as their task, and they march in the front ranks of the struggle against imperialism and for peace on the planet. This is why we ardently support the initiative of Comrade M.S. Gorbachev, general secretary of the CPSU Central Committee, of 15 January this year for a complete liquidation of nuclear weapons by the year 2000. In his greetings address to the 27th CPSU Congress Le Duan, general secretary of the Central Committee of the CPV, emphasized that the "implementation of that program would make it possible for mankind to enter the 21st century with the hope to live in a world that would not be threatened by lethal weapons, a world where wars would cease to be the means for solving disputes in relations between countries." (Footnote 2) (Ibid)

[Journal] In their revolutionary struggle and their striving to achieve freedom and independence, the people of Vietnam have always enjoyed the support of the Soviet Union and other socialist countries. How can these relations be characterized at the present time?

[Nguyen Co Thach] Yes, our people have always had the support of the Soviet Union, other fraternal countries, and all honest people of the planet. This support is also extremely valuable now when Vietnam has not yet healed its wounds but the northern aggressors, in compact with imperialism and reaction, are inflicting painful blows on Vietnam and two other countries of Indochina. They stop at nothing and they carry out refined subversive actions in all spheres, that is, in the political, economic, and military spheres.

The further deepening of cooperation with fraternal countries is a factor of immense importance for implementing the program of building new life in Vietnam. These international relations are built on the principles of sovereignty, equality, friendship, fraternal cooperation, and mutual assistance.

Thanks to the SRV's membership in CEMA, which it joined in 1978, and as a result of the conclusion of the friendship and cooperation treaties with several socialist states, Vietnam has broadened and deepened its relations with the fraternal countries. The decisions of the Moscow economic conference at the highest level (in July 1984) on accelerating the process of gradually leveling the economic development of CEMA member-countries, and first and foremost, the SRV, the Republic of Cuba, and the Mongolian People's Republic with the level of the European states of the community, are of fundamentally great importance for us.

The Soviet-Vietnamese relations in the economic sphere play a special role at the contemporary stage and have a favorable effect on the development of a majority of key branches of the republic's national economy. In the current 5-year plan period the USSR is assisting the SRV in building and in planning and designing approximately 100 projects. We also intensively cooperate with other countries of the community. The machine-building, timber and wood processing, light, and food industries and agriculture are being strengthened with their assistance. All this makes it possible to carry out three revolutions, that is, in social relations, science and technology, and ideology and culture.

The visit of Le Duan, general secretary of the CPV Central Committee, to Moscow in June 1985 was an event of great importance. The joint declaration of the SRV and the USSR adopted on that occasion notes that the "sides will continue to tirelessly strengthen the ties of close friendship and solidarity between the CPSU and the CPV. This is the principled and immutable line of the CPSU and the CPV and the Soviet Union and Vietnam, which reflects the will and aspirations of the peoples of the two countries." (Footnote 3) (PRAVDA, 30 June 1985)

[Journal] The comprehensive alliance between Vietnam, Laos, and Cambodia is becoming increasingly close. What are the urgent tasks that are being solved by the community of the three countries of Kampuchea?

[Nguyen Co Thach] Our peoples have much in common. Their joint struggle against enemies, their rejoicing over the independence and freedom won by them, and the misfortunes and sufferings experienced by them have continued to unite them through centuries. They are now linked together by their striving to defend the revolutionary achievements to and advance along the road of socioeconomic progress.

As was noted at history's first conference of the highest party and state leaders of the SRV, the Lao People's Democratic Republic, and the People's Republic of Kampuchea [PRK] held in 1983, the special relations and solidarity between our peoples are the result of the development of revolution in the three countries and represent a decisive factor in the task of defeating their enemies and achieving independence and freedom.

The fundamental principles of mutual relations between the three states of Indochina have been formulated in their jointly adopted documents and they are strictly respected. They provide for the development of solidarity, cooperation, and mutual assistance in the tasks of national construction and defense on the basis of Marxism-Leninism and socialist internationalism. All problems concerning the relations between our states are solved by negotiations in the spirit of respect for independence, sovereignty, and territorial integrity, noninterference in each other's internal affairs, mutual understanding, and respect for the legitimate interests of each individual country and of the community as a whole. The governments of Indochina's states have committed themselves to waging the struggle against all enemy intrigues to split them and to constantly educating their peoples in the spirit of traditional friendship and of understanding of the special relations among them.

This approach corresponds not only to the interests of our nations, but also to the purport of the international agreements on Indochina and the principles of the UN Charter and the Nonaligned Movement. The implementation of this approach convincingly refutes the cock-and-bull stories that are being spread by reactionary propaganda about Vietnam's intention to "enslave" Laos and Cambodia by setting up the so-called "Indochina Federation." Our adversaries need this kind of invention to break up Indochina's solidarity and interfere in the internal affairs of the region's states. But our peoples know how to distinguish between truth and lies and they recognize the benefits of our countries' alliance for each of them on the basis of their own experience and naturally cooperate in every way possible to strengthen it.

[Journal] In recent years the three countries of Indochina have taken a number of foreign policy initiatives. What response have these initiatives evoked among the ASEAN member-states and in this connection, what are the prospects for strengthening peace and stability in Southeast Asia and for solving the so-called Cambodia problem?

[Nguyen Co Thach] I recall once again that in the last few decades a bitter struggle between the forces of national independence and socialism, on the one hand, and the forces of imperialism, colonialism, neocolonialism,

and international reaction, on the other, has developed precisely in our region. The victory of the freedom-loving peoples of Indochina has changed the political situation in Southeast Asia. Following the failure of the U.S. intervention, the possibility was created for living in peace with neighbors, something which was attested to by the statements of ASEAN member-countries in the 70's. However, in 1979, when the Chinese forces attacked Vietnam, an illusion was created among the right-wing circles of bourgeois states that the revolutionary process in the countries of Indochina could allegedly be reversed, and they entered into a bloc with the aggressor. This policy has utterly failed. The peoples of Indochina are growing stronger and stronger and the situation in Cambodia has assumed a truly irreversible nature.

Our position concerning the nature of relations between the three countries of Indochina and ASEAN is well known. We are convinced that these two groups of states should settle all their differences through negotiations in the spirit of good-neighborliness, coexist in peace and friendship, cooperate among themselves, and not allow other countries to interfere in their affairs, sow discord among them, or use the territory of one of them against any other of the countries involved.

Certain changes for the better between the aforementioned groups of states are taking place. Beginning in 1985, following the statement by the conference of the ministers of foreign affairs of the three countries of Indochina on the possibility of a withdrawal of all Vietnamese forces from Cambodia by 1990, a dialogue has opened between Indonesia and Vietnam, which act as representatives of ASEAN and the three states of Indochina, respectively. We are convinced that real possibilities exist for solving the existing problems by political means and for achieving peace and stability in Southeast Asia in general and in Cambodia in particular. In the opinion shared by a majority of the countries and movements of the region, achieving a mutually acceptable agreement on three issues is the key to solving these problems.

The first issue is the question of the withdrawal of Vietnamese forces from Cambodia. The Vietnamese forces are there under the treaty concluded by the PRK and SRV governments. As the forces of the Kampuchean People's Revolutionary Armed Forces grow stronger, the numerical strength of the Vietnamese units in the PRK is being reduced. This is a continuous process taking place every year. The forces of the emigres, that is, the so-called "coalition government," the core of which is formed by Pol Pot's followers, have lost support in the country and can only hold on with foreign assistance. If it were not for this assistance, the PRK could defend itself with its own army.

However, the interference of imperialism and reaction in Cambodia's affairs continues. Nevertheless, the success of the revolutionary forces is undeniably manifesting itself more and more distinctly. Consequently, a situation may gradually come about when all Vietnamese forces will be withdrawn from the PRK and the republic will be able to safeguard its sovereignty with its own forces.

However, there is another possibility for a quicker solution of the problem, and that is: termination of foreign assistance to Pol Pot's followers. In this case the sides concerned could agree within a shorter time precisely about a political settlement of the existing differences. The three countries of Indochina prefer the second alternative but also reserve for themselves the initiative to carry out the first one.

Second, what is involved is the achievement of an accord between the PRK and the opposition forces. Vietnam positively appraises the PRK's statement on its readiness to open negotiations with various Khmer opposition groups or with individuals of the same orientation under the condition that the Pol Pot clique, which has carried out a policy of genocide, be excluded from negotiations. This is an internal affair of Cambodia and should be solved by the Cambodians themselves. If such a solution is found, then the sides concerned will be able to consider the questions concerning a new constitution and also the ways in which they should act to strengthen Cambodia's independence and sovereignty.

Third, the establishment of a zone of peace, friendship, and cooperation depends to a great extent--in addition to the aforementioned circumstances--also on the successes of the aforesaid negotiations between Indochina and ASEAN. In our opinion, it would be expedient to also hold an international conference on the problems of peace and stability in Southeast Asia in which all states of that region and the permanent members of the UN Security Council would participate.

Vietnam, Laos, and Cambodia sincerely strive to establish good-neighborly relations with all countries regardless of their political systems. This immutable position was also confirmed at the 12th conference of the ministers of foreign affairs of the three states in January this year.

Just as in the past, now, too, the peoples of Indochina consider it necessary to restore the relations of friendship with the Chinese people. Although the situation on the Vietnamese-Chinese border continues to be poisoned by the hegemonist and expansionist plans of international reaction, the SRV is making tireless efforts for a peaceful settlement of the existing problems and has more than once proposed to China to open negotiations on normalizing bilateral relations. Vietnam is doing everything in its power to create favorable conditions for the success of negotiations. Our proposals for a ceasefire on the border during the national holidays and for the repatriation of Chinese prisoners attest to the SRV's goodwill and sincere intentions.

The Indochina states also want to establish good-neighborly relations with Thailand and are ready to do everything in their power for this purpose. All of them together and, accordingly, each of them separately advocate the negotiations and the conclusion of a treaty [dogovor] with Thailand on the principles of peaceful coexistence, mutual renunciation of aggression, noninterference in internal affairs, respect for each other's sovereignty and territorial integrity within the presently existing borders, and renunciation of making one's own territory available for any activities directed against other states.

We are also ready to maintain relations with the United States on the basis of equal rights and mutual advantage. In particular, we propose to the United States to start high-level negotiations aimed at achieving a fundamental solution of the problem of that country's citizens missing in action during the war and on other issues of mutual interest. In our opinion, this will also contribute to the process of restoring peace and stability in Southeast Asia.

[Journal] The imperialist powers continue to pursue a policy of isolation against the three Indochina countries. Under these conditions, how do you assess the possibility for expanding their international relations?

[Nguyen Co Thach] I want to say that imperialism applied the policy of isolation in relation to all socialist countries long ago and has continued to apply it to this day. Capitalism has received the birth of the new social formation as a "mistake" of history which should be "corrected." Flouting laws and morals, international reaction has embarked on a course of armed interventions, economic blockades, subversive activities, sanctions and "penalties," and renunciation of any kind of cooperation. However, nothing could prevent the assertion of the new system and its historical right to life.

For many years the Soviet Union remained alone, encircled by imperialist powers. After World War II this blockade was broken and socialism grew into a world system. The international relations of the Indochina states have developed and continue to develop in the same direction. During the war waged by the United States against the Democratic Republic of Vietnam we were recognized by no more than 10 states, but now the SRV maintains diplomatic relations with over 100 countries and the PRK maintains them with 35 countries. Since 1977 the SRV has been a member of the United Nations. Vietnam is an active member of the Nonaligned Movement.

We have loyal friends and reliable allies. The imperialist venture with the economic blockade of the SRV has completely failed.

Vietnam confidently advances along its path. We are on the side of those who struggle against imperialism, colonialism, neocolonialism, apartheid, racism, and Zionism. We are with those who advocate peace, national independence, democracy, and socialism. Analyzing the past, we confidently look to the future and believe that this struggle will be triumphant.

/9604

CSO: 1807/319

END